

STATE OF CALIFORNIA – THE RESOURCES AGENCY  
BEFORE THE  
CALIFORNIA ENERGY COMMISSION (CEC)

In the matter of, )  
 ) Docket No.12-EBP-1  
 )  
Comprehensive Energy Efficiency )  
Program for Existing Buildings )  
(AB 758 ) )

California Energy Commission

**DOCKETED**  
**12-EBP-1**

TN 2972

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Draft Action Plan for the  
Comprehensive Energy Efficiency Program  
for Existing Buildings

Residential Voluntary Pathways, Potential Mandatory  
Approaches and Compliance Enforcement

Willow International Community College Center  
10309 N. Willow Avenue  
Fresno, California

Tuesday, June 25, 2013

9:25 A.M.

Reported by:  
Barbara Little

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## INDEX

	Page
Welcome, Introduction and Housekeeping	
Dave Ashuckian, Energy Commission	5
Opening Comments	
Andrew McAllister, Lead Commissioner	8
Simon Baker, Commissioner, CPUC	13
Overview of Draft AB 758 Action Plan	
Christine Collopy, Energy Commission	28
Dave Ashuckian, Energy Commission	
Targeted Segment 1 - Voluntary Pathway - Create Multiple Pathways for Residential Property Owners	
Christine Collopy, Energy Commission	70
Targeted Segment 2 - Voluntary Pathway - Energy Efficiency in Property Valuation	
Bill Pennington, Energy Commission	118
Targeted Segment 3 - Potential Mandatory Approach Mandatory Disclosure of Ratings and Completion of Basic Energy Upgrades for Existing Buildings	
Bill Pennington, Energy Commission	150
Targeted Segment 4 - No Regrets - Support for Standards Compliance and Enforcement	
Sam Lerman, Energy Commission	184

## INDEX

	Page
General Question & Discussion Segment	
Christine Collopy, Energy Commission	217
Closing Remarks & Wrap-Up	253
Adjournment	258
Reporter's Certificate	259
Transcriber's Certificate	260

1

1 P R O C E E D I N G S

2 JUNE 25, 2013

9:25 A.M.

3 MR. ASHUCKIAN: Welcome to Fresno. I know for  
4 those of you who had made the journey down there, we  
5 appreciate it.

6 Today is day two of a three-day series of  
7 workshops on our Draft Action Plan.

8 Yesterday we were at the Public Utilities  
9 Commission in San Francisco, where we talked about data,  
10 marketing and outreach, and what else did we talk about?  
11 Financing, that's it.

12 Today we have a pretty full agenda; we're going  
13 to talk about upgrades. Shoot, I don't have my --  
14 sorry, I don't have my agenda.

15 We're going to talk about energy -- residential  
16 upgrades. How we assess or how we can improve the  
17 assessment of energy efficiency in property evaluation,  
18 the potential mandatory and basic upgrade ratings, and  
19 compliance and enforcement.

20 On Friday we'll be in Los Angeles, where we're  
21 going to talk about nonresidential standardized tools,  
22 small and medium commercial building upgrades, the  
23 public sector leadership and potential mandatory  
24 statewide energy disclosure for commercial buildings.

25 We are accepting comments up until July 12th,

1 written comments. And so we appreciate anybody who  
2 participates in any of these workshops or those who are  
3 just listening in on the web to please provide written  
4 comments by July 12th.

5 One thing that's also happening is all of these  
6 workshops are being recorded. And so if you speak,  
7 whether it be on the WebEx or in person, we would either  
8 like you to drop off -- make sure that you drop off a  
9 name card.

10 We also have blue cards that you can fill out,  
11 that you can put your name and address -- or name and  
12 affiliation on there so that you can hand that to the  
13 court reporter, and that way we'll have your  
14 information.

15 We are going to use an informal -- so you don't  
16 need to fill out a blue card in order to speak. You can  
17 just go up to the microphone and speak when called, so  
18 you don't have to do the blue card unless you prefer to.

19 If you want to make sure that you are -- if you  
20 want to make sure that you have a queue, to make sure  
21 that your comments are heard, fill out a blue card and  
22 hand it to us and that will make sure that your comments  
23 get heard.

24 Rest rooms -- just for a little housekeeping,  
25 the rest rooms are behind us here. As you can see, the

1 exit's clearly marked. And so if there's any kind of  
2 need for evacuation head outdoors.

3           Regarding lunch, we'll play it by ear as far as  
4 what time we're going to take lunch. But just to give  
5 you some information, there is a cafeteria to the right,  
6 outside the building. The next building over has a  
7 cafeteria here on campus.

8           For other food venues, apparently outside, if  
9 you leave the parking lot and go to the right about a  
10 half-mile down there's a Subway and a Me and Mr. Ed's.

11           And then if you go down Willow Road for about a  
12 mile there's a shopping center there that has a number  
13 of restaurants.

14           So, we'll see how our timing goes and see how  
15 much time we need to take for lunch. Mr. Ed -- Me and  
16 Mr. Ed.

17           The mic can get closer to me. Okay, let's see,  
18 so again the next steps on our Action Plan. We're  
19 accepting comments until Friday, July 12th, 4:00 p.m.  
20 And there's a notice on the website for information on  
21 how to submit those comments.

22           We will produce a Draft Action Plan as soon  
23 as -- hopefully, in the July timeframe, the August  
24 timeframe, probably.

25           And then we may or may not have a second

1 workshop, depending on how much additional information  
2 we get and how significant the changes are from our  
3 Draft Action Plan.

4 And then we are hoping to adopt a final plan by  
5 the full Commission in the fall, maybe September or a  
6 little bit later, October timeframe. Again, it depends  
7 on if we have a workshop that will cause, potentially,  
8 more time necessary to delay the adoption of the Action  
9 Plan.

10 With that I will turn it over to Commissioner  
11 McAllister for some opening comments.

12 COMMISSIONER MC ALLISTER: All right, well,  
13 thank you all for coming. Especially those who were in  
14 San Francisco yesterday, and who are here today with us,  
15 and we'll look forward to seeing you on Friday, in L.A.

16 I hate to think of our carbon footprint for this  
17 thing, but it's all in a very -- although some of us, I  
18 think, took the Amtrak down, so thank you for that. I  
19 saw a hand go up, with Gina.

20 But it's all for an incredibly good cause. AB  
21 758 is, I think, a really terrific opportunity for us to  
22 do some big things in the State and to continue the  
23 progress that we are starting.

24 I think, you know, there's really some great  
25 indicators of this marketplace growing. There are lots



1 of challenges. Many of you have told us about those and  
2 we really need you to keep telling us about those in  
3 different ways so that we can help figure out what the  
4 solutions to those challenges are.

5 We really need to scale up faster than we're  
6 doing. So, the indicators are headed in the right  
7 direction but we really are all, I think, impatient to  
8 figure out what the magic formula is.

9 And I think, you know, there probably isn't any  
10 magic formula. It's going to take a lot of work and the  
11 right kinds of policies, and we're trying to put all  
12 that together.

13 We had lot of good discussion yesterday about,  
14 you know, what it's going to take in the various areas  
15 we were talking about, particularly in financing and  
16 marketing.

17 And also on the informational front and  
18 information is something that keeps coming up as really  
19 a resource that's needed to kind of slake the thirst for  
20 the people who really want to get out there and do, and  
21 invest.

22 So, we're really trying to work closely with the  
23 Public Utilities Commission and other stakeholders to  
24 figure out what the best path forward is for allowing  
25 for gathering, and then providing access to the right

1 kind of information at the right level of aggregation.

2 Obviously, secure and maintaining privacy of the  
3 customer but, really, I think a consensus really is that  
4 there needs to be much more consistent longitudinal,  
5 quality, granular information available to those who  
6 need it to make business decisions, as well as to us, at  
7 the agencies, for policy making.

8 And I think that's sort of the sine qua non of  
9 all this is that we really need to know, we need not to  
10 have blinders on. Because we're creating something new  
11 and we need to know sort of the context in how it's  
12 evolving.

13 So, today we're talking about the residential  
14 sector and I think there is -- again, there are lots of  
15 reasons why people can benefit, how they can benefit  
16 from doing energy efficiency and upgrading their homes.

17 As many of you know, California's populous in  
18 general is extremely interested in sustainability. They  
19 keep voting for large amounts of bonding and other kinds  
20 of funding to invest in it. You know, they read a  
21 proposition that moves in that direction and they like  
22 it, and they want to vote for it, and they do vote for  
23 it.

24 Assemblywoman Skinner, Nancy Skinner, whose bill  
25 AB 758 is, I think is very much in tune with, certainly

1 with her constituency, but also is really knowledgeable  
2 about these issues and looking for ways to push it  
3 forward. So, she asked the Energy Commission, via that  
4 bill, to develop a plan for how to upgrade our existing  
5 buildings and I think showed a lot of vision in that.

6 So, we're trying to do it right and do a  
7 process, really, that I think departs a bit from the  
8 traditional role that the Energy Commission has taken.

9 You know, our kind of bread and butter for --  
10 really, since our establishment, since the establishment  
11 of the Commission in the 70s has been standards. Supply  
12 standards, building efficiency standards and also, you  
13 know, citing power plants and a number of other things.

14 And all of which has been incredibly valuable  
15 for the State, saves tens of billions of dollars. You  
16 know, really saves billions of dollars every year that  
17 goes into people's pocketbooks, and that they can spend  
18 on other things.

19 You know, I think that AB 758 is a little bit  
20 different because it really -- it's so clear that it's  
21 not going to happen sort of by fiat, or by a passing of  
22 a regulation, and then sort of we build it and the world  
23 comes and complies.

24 It really is about the marketplace. It's really  
25 about getting, creating the conditions, encouraging the

1 conditions under which contractors and, in this case  
2 homeowners, we're talking residential today, contractors  
3 can develop a value proposition and a product that they  
4 can take to a homeowner and that homeowner will buy.

5           And there are a lot of, I think, challenges to  
6 that out in the world and we need all of you, and  
7 contractors themselves, and different specialty  
8 contractors, and whoever touches a building and a  
9 customer at any given moment, we need you to tell us  
10 sort of what is needed so that we can -- I mean we can't  
11 conjure it up out of nothing, but we can at least know,  
12 so that we're not getting in your way, first of all.

13           And then, hopefully, creating some foundational  
14 resources on the informational front, some policy  
15 consistency, some well-formed ideas in policy that can  
16 help you carry the message forward and close the deal.

17           So, just over-arching, as sort of an organizing  
18 principle, I think that's what I would like to see us  
19 accomplish here.

20           And there are various pathways that we can talk  
21 about today. That we should talk about today. That,  
22 you know, we want to know what the most promising ones,  
23 what's working, what the most promising ones are, what  
24 kind of resources would help them, what's sort of likely  
25 to happen in a voluntary context. What is less likely

1 and, therefore, might benefit from some mandatory  
2 efforts.

3 So, I'm really looking forward to the discussion  
4 and with that I think I'll just point out that we're  
5 working very closely with the Public Utilities  
6 Commission.

7 They have direct regulatory authority over the  
8 investor-owned utilities, which sell the lion's share of  
9 the electricity and most of the natural gas in the  
10 State, and are a really key partner in this.

11 I think we're both under some direction from the  
12 Legislature to work ever more closely together, which we  
13 want to be responsive to, but also it's just the right  
14 thing to do.

15 We want to send similar messages out from both  
16 Commissions to the marketplace, so we don't confuse  
17 everybody.

18 And, certainly, we don't want to duplicate  
19 efforts, we really want to coordinated, and I think  
20 that's just only for the good.

21 So with that, we have Simon Baker here from the  
22 Public Utilities Commission and I'll pass the mic to  
23 him.

24 MR. BAKER: Thank you, Commissioner and good  
25 morning everybody. I'm happy to be here in Fresno.

1           I had the opportunity to be here last year for a  
2 Commission meeting here in Fresno and I met with a few  
3 of you at that time, so it's good to be back.

4           We're very pleased to be collaborating with the  
5 Energy Commission on this program. We have been focused  
6 on the existing building sector for decades, through the  
7 efforts of the utilities' energy efficiency programs.

8           But I think we all recognize that there's a vast  
9 amount of energy efficiency potential that still remains  
10 in existing buildings. It's the toughest potential to  
11 get to.

12           And it's, many times, more challenging to get  
13 after that potential cost effectively.

14           But nevertheless, if we're going to achieve our  
15 climate goals and our energy goals, we need to find ways  
16 to get to that potential.

17           And I think it was very visionary on the part of  
18 the Legislature to adopt a piece of legislation that  
19 specifically focused on the existing building sector,  
20 and now the challenge is to figure out how to do that.

21           Ever since the Energy Commission began this  
22 process of developing the 758 plan, we've been actively  
23 involved in partnership with them. And it's important  
24 that we be working with them side by side. The  
25 Legislation directs us to be collaborating very closely

1 with them to ensure that the strategies and initiatives  
2 that are adopted do not duplicate the efforts of the  
3 utility programs, and that they leverage existing  
4 programs.

5 About 70 percent of the total energy efficiency  
6 budgets that the PUC have authorized are dedicated to  
7 the existing building sector.

8 So, for the investor-owned utilities, we're  
9 talking about nearly \$700 million that are dedicated to  
10 either single- or multi-measure programs or projects in  
11 the residential and commercial sector.

12 So, there's a lot of money already being spent  
13 in this sector, but it's really a drop in the bucket  
14 compared to the scale of investment that's needed to get  
15 to our long-term energy efficiency goals.

16 We have been engaged in a variety of different  
17 interagency collaborative forums. And just to give some  
18 examples, we've established quarterly meetings between  
19 the leadership at the two Commissions, so the assigned  
20 Commissioners and Presiding Commissioners at the Energy  
21 Commission, over energy efficiency, are meeting on a  
22 quarterly basis to coordinate on strategy, and so forth.

23 We are also meeting weekly at the management  
24 level, and then our technical staff are also meeting on  
25 an ongoing basis.

1           And we think that that collaboration, in  
2 combination with continued engagement with stakeholders,  
3 such as we're doing today, in today's workshop, will be  
4 vital to ensuring a successful program.

5           The legislation also gives the PUC a specific  
6 role with regard to financing, and so we've been  
7 directed to investigate financing mechanisms that could  
8 be funded by utility ratepayers.

9           And since 2010 we've been looking into that. We  
10 did a financing consultant's report, a gap analysis, a  
11 market needs assessment.

12           And we've been working that through our  
13 regulatory process leading up to the present day where  
14 we're -- imminently, we're about to release a proposed  
15 decision on potential new, statewide financing pilots.  
16 And so be looking for that in the coming days.

17           At yesterday's workshop Jean Lamming, who's our  
18 assigned analyst, gave a presentation and I encourage  
19 you all to go back and refer to that, if you haven't  
20 reviewed that, yet.

21           And, certainly, reach out to me and I can put  
22 you in touch with folks to give you more information  
23 about that, if you like.

24           The basic impetus behind this plan, the 758  
25 Action Plan, we see it as being very consistent with the



1 vision laid out in the California Long-Term Energy  
2 Efficiency Strategic Plan, which was adopted in 2008 and  
3 updated again in 2011.

4           If you look at the goals that the strategic plan  
5 sets out for the existing building sector, it puts forth  
6 aggressive goals to reduce energy consumption in  
7 existing homes, 40 percent by 2020, and a goal of  
8 achieving zero net energy in 50 percent of existing  
9 buildings by 2030.

10           And we acknowledge that those are aspirational  
11 goals. And as the 758 plan notes, we're not yet on  
12 track to meet those goals. However, we see the value of  
13 having those goals. It's important to have goals that  
14 are out there that set the direction for us to be  
15 striving towards.

16           Astute observers might notice that the format,  
17 and the look and the feel of this Action Plan document  
18 is consistent with the action plans that the PUC has  
19 developed, in collaboration with stakeholders, as  
20 implementation mechanisms to advance the strategic plan.

21           And we do that on purpose. We want to send a  
22 message that these efforts are consistent, and we  
23 believe that they are. The 758 plan is -- we see it as,  
24 really, the heart of the strategies in the strategic  
25 plan related to the existing building sectors.

1           And to the extent that there are any disconnects  
2 or inconsistencies, we see the strategic plan as a  
3 living document that can and will be updated over time,  
4 so we're committed to doing that.

5           One final point to emphasize is just in regards  
6 to cost effectiveness.

7           So, once the Energy Commission adopts this plan  
8 in its proceedings, it's going to turn to the investor-  
9 owned utilities for consideration as to what activities  
10 can be funded through ratepayer resources.

11           As noted previously, the 758 program gives the  
12 PUC a specific role with regard to financing, so we know  
13 there is going to be resources dedicated to financing,  
14 as there has been in the past with on-bill financing  
15 programs, and the continuation of ARRA pilots, and so  
16 forth.

17           For some of the proposed no-regret strategies  
18 and the voluntary pathway strategies, the PUC is going  
19 to be reviewing those, coming to the perspective of its  
20 statutory mandate to pursue all cost-effective energy  
21 efficiency.

22           And cost-effective from the perspective the PUC  
23 is based on energy efficiency being a preferred resource  
24 alternative to fossil energy supply.

25           And so, from that perspective cost-effectiveness

1 is viewed as what is cost beneficial to the utility and  
2 to ratepayers.

3 And it's important to draw a distinction that  
4 the Energy Commission, in its efficiency standards  
5 proceedings, views cost-effectiveness from the  
6 perspective of the homeowner, the building owner, and  
7 whether a given building practice or measure yields net  
8 benefits to the end user.

9 And I make that distinction because it  
10 recognizes -- it's important that the agencies have  
11 different statutory mandates, and those come with unique  
12 perspectives with regard to how cost-effectiveness is  
13 determined.

14 And the net result of that, without getting into  
15 the details, is that the PUC's cost-effectiveness  
16 screens are somewhat more stringent than the Energy  
17 Commission's.

18 And so one of the challenges, as this turns into  
19 the PUC's proceedings is, you know, what can and should  
20 be funded by scare ratepayer dollars.

21 But, you know, not to put a wet blanket on this,  
22 it's also important to say that the PUC has an approach  
23 to cost-effectiveness which views it from a total  
24 portfolio.

25 So, there can be elements within the portfolio,

1 and there are, that are not yet cost-effective because  
2 it's -- there are efforts that are focused on  
3 incentivizing measures that are believed to improve  
4 their cost curves over time. They might be market  
5 transformation support activities that are important to  
6 supporting other resource programs.

7 And the PUC recognizes the importance of having  
8 those elements within a total portfolio approach. So,  
9 there is room to accommodate a range of different  
10 strategies through utility ratepayer funding, but that  
11 has to be done strategically, and it has to be done  
12 wisely, and with the recognition that there are limits  
13 to what can be funded while maintaining a total  
14 portfolio that is cost-effective.

15 So with that, we look forward to today's  
16 proceedings and the continued collaboration with the  
17 Energy Commission and the stakeholders, and the  
18 finalization of this plan. Thank you.

19 COMMISSIONER MC ALLISTER: Thanks very much,  
20 Simon.

21 I wanted to make a couple of other comments here  
22 before we get started with the core of the agenda.

23 So, I wanted to reinforce the sort of flow here  
24 because, you know, the Long-Term Energy Efficiency  
25 Strategic Plan is, I think, a document that all of us

1 embrace and are committed to updating at both  
2 Commissions.

3 And the idea here is that the AB 758 Action Plan  
4 really become a core component of the strategic plan and  
5 really reflect it.

6 And, in particular, the timing is such that both  
7 Commissions and, you know, ARB and the Legislature's got  
8 its own timeline. We've all got our own kind of  
9 timelines and we've got to hit those deadlines to get  
10 things done.

11 But to the extent possible we want to make sure  
12 that the products from one process or one Commission can  
13 feed logically, and sort of as streamlined as possible  
14 into the process of another Commission.

15 So, in this case the PUC is getting going in  
16 earnest, thinking about the next portfolio, the '15-'17  
17 portfolio for the investor-owned utilities and are  
18 looking at some really, I think, innovative and needed  
19 changes over there to kind of keep the eye on the prize  
20 for the long term.

21 And the AB 758 Action Plan is timed, the  
22 planning is to have that time so that it can help that  
23 process and sort of help that process hit the ground  
24 running with some -- a group of initiatives that already  
25 have some traction and we know that they need to be

1 done.

2           So, that's the reason for the timing here, so we  
3 adopt this Action Plan in final form sometime in the  
4 fall, and then that can sort of go into the PUC's  
5 process.

6           I wanted to thank staff for all the work on the  
7 Action Plan, itself. I mean it's really been a big  
8 effort, a team effort, and Christine has herded a lot of  
9 cats in the process.

10           And Dave also has facilitated that, and Bill,  
11 and I think everybody on the dais here will introduce  
12 themselves.

13           I wanted to actually thank -- so I wanted to  
14 thank Christine and the team and invite you to reach out  
15 to her and them, as well as my advisors. On my left is  
16 Hazel Miranda, one of my advisors, and next to Simon is  
17 Pat Saxton, who is my other advisor. So, please do  
18 reach out to me and/or them and, you know, you'll be  
19 heard for sure.

20           I wanted to also introduce Grant Mack, who is  
21 from the Chair's office, Chair Bob Weisenmiller. So, he  
22 was at the workshop yesterday. He wasn't able to make  
23 it to Fresno. I understand he's meeting with the  
24 Chinese delegation. But really appreciate all of his  
25 help and input on this, as well.

1           And let's see, I think I'll leave it at that for  
2 now. But please do reach out, you know, to us.

3           Let's see, the other -- so I wanted to reinforce  
4 something that Simon said about funding. You know,  
5 there are -- California's actually in the fortuitous  
6 position to have its budget relatively under control at  
7 this point and actually have some, you know, long-term  
8 funding through the utilities. Mostly through the  
9 investor-owned utilities, but also at the publicly-owned  
10 utilities for, you know, relatively important  
11 investments and energy efficiency.

12           And most states don't have that kind of  
13 consistency and that kind of scale.

14           And on top of that there are a few -- you know,  
15 we've got the cap and trade scheme coming in that's  
16 generating some funds for carbon reduction.

17           We've got Prop 39 for schools funding for energy  
18 projects, which are not explicitly at all related to  
19 758, but that sort of do create some opportunity to  
20 align policy, such that something we do here could also  
21 complement those efforts.

22           But that is not to say that all dollars for  
23 energy efficiency were created equally. And so, you  
24 know, I really think one of our major tasks here is to  
25 figure out what's truly necessary, what foundational

1 resources are truly necessary to help the marketplace  
2 function.

3 We're going to talk about permitting and code  
4 enforcement, permitting support and code enforcement  
5 today. That's one of those foundational efforts, but  
6 there are a number of others.

7 And really figuring out what the highest  
8 priorities ought to be and then do it right, then make a  
9 case to the Legislature, or whoever's going to authorize  
10 these funds that this is highly important for the State  
11 to do.

12 And more broadly, I think, we -- I feel a lot of  
13 responsibility to be responsive to the Legislature, so  
14 that when they ask us the question how is all this money  
15 getting spent, is it having the intended impacts? You  
16 know, you're overseeing billions of dollars of funding,  
17 you know, between the two Commissions, what are we  
18 getting for our money?

19 I need to be able to tell them and I need to be  
20 able to show progress.

21 So, one of the -- you know, I think we're all --  
22 at every level we all want to get there. And this  
23 conversation's really critical to sort of understanding  
24 that progress.

25 I mean if we -- if we really can't come up with



1 a cogent argument of what we're accomplishing, then we  
2 have to look inside and say what are we doing? You  
3 know, how can we do it better? How can we fix whatever  
4 issues we have?

5 I don't think that's the case. I think we're  
6 getting a lot of bang for our buck and we need to be  
7 able to express that in a way that is understandable in  
8 that legislative context.

9 So, you know, that's sort of, I think -- so  
10 high-level, long-term that's what I would like to be  
11 able to accomplish is really have a compelling story  
12 that's so clear that it's undeniable.

13 And I think energy efficiency, there's so much  
14 to like it ought to be imminently doable. It is  
15 imminently doable and, you know, that's what we're here  
16 to talk about.

17 You know, it's a wonderful thing. I'm  
18 passionate about energy efficiency. I've been doing  
19 this my whole career and don't plan to stop any time  
20 soon.

21 And, you know, I think there's just a lot of  
22 opportunity to take it to the next level in the State  
23 and, hopefully, AB 758 can enable that.

24 So, I'll pass it back to Dave.

25 MR. ASHUCKIAN: Thank you. One of the things

1 that we wanted to really thank is the staff who have  
2 worked on this. It's been a very significant growth  
3 opportunity for them.

4 A lot of folks, you know, although California  
5 Energy Commission staff, in general the California  
6 Energy Commission has done a lot with energy efficiency  
7 over the almost 40 years, now, 39 years of our  
8 existence, however developing a plan of this for  
9 existing homes is something that has really been a new  
10 area for us.

11 And we do standards, building standards,  
12 obviously appliance standards, but developing a program  
13 to actually go into existing homes and change the way  
14 people deal with those is something that was new for us.

15 As a result, there are still a number of gaps  
16 that are part of -- that are missing from the Action  
17 Plan. And those gaps include, as Commissioner  
18 McAllister said, funding. We don't have a funding  
19 source for this program.

20 And so we have to identify how funding can  
21 achieve some of these programs.

22 Secondly, there's a very light touch on multi-  
23 family programs, low-income, and how plug loads are  
24 going to affect existing building loads in the future.

25 And lastly, cost-effectiveness.

1 (Web-Ex interference)

2 MR. ASHUCKIAN: Okay. And cost-effectiveness is  
3 another area. As Simon mentioned, there's a different  
4 measure of how the public utilities, the investor-owned  
5 utilities address cost-effectiveness that doesn't  
6 necessarily fit some of the programs that we need to do,  
7 primarily the no regret strategies.

8 And finally, there's not much in the way of  
9 goals. You know, again, we want to identify what  
10 market, what the goals are that the market can achieve  
11 and, yet, we have little expertise in kind of  
12 identifying what goals.

13 And we didn't want to just pick goals out of the  
14 air that may not be achievable. And so getting input  
15 from you, the folks who have a better understanding of  
16 what can be achieved on what we should establish as  
17 goals.

18 As far as the agenda today, although we have a  
19 specific topic for today's agenda, at the end of the day  
20 there will be a period of time where we'll have open-up  
21 conversation and you can talk about any agenda item, any  
22 issue that the whole Action Plan addresses, not just the  
23 agenda items that we talked about today.

24 So, if you're not planning to participate on  
25 Friday, if you didn't have a chance to participate

1 yesterday, you can make your comments today on any part  
2 of the agenda, at the end of the day.

3 So, with that I'd like to turn it over to  
4 Christine. She'll give you an overview of the Action  
5 Plan and go into today's program.

6 MS. COLLOPY: Great. Thank you, Dave. Good  
7 morning, my name is Christine Collopy and I'm the  
8 Project Manager for the AB 758 project.

9 I just wanted to introduce folks in the room  
10 that are on the team, just to identify them so that when  
11 today when you're having lunch, you're having breaks  
12 feel free to reach out to us, drop us your card. We'd  
13 love to hear from you in the room. We'd love to hear,  
14 from you, comments in two weeks. Again, those comments  
15 are due in two weeks and we're going to then go ahead  
16 and put out another Draft Action Plan.

17 So, today I'm going to go through -- oh, in the  
18 room, sorry. At the end we have Sam Lerman. Sam's  
19 going to be presenting this morning on compliance and  
20 enforcement. And he is available to talk to you about  
21 any issues you'd like to talk about.

22 And next to Dave is Bill Pennington. Bill  
23 Pennington is a Senior Advisor in our division and he is  
24 going to be presenting today on property valuation and  
25 the mandatory rating, and upgrade.

1 Erik Jensen, next to me, on the team is our  
2 technical guy and also working on a lot of issues to  
3 support the Action Plan in general.

4 I think that is our team in the room today. We  
5 have a lot of folks on WebEx.

6 So, we'd like to hear from you today or any  
7 time. Please feel free to call.

8 Okay, so today I'm going to just give you,  
9 basically, a really high level overview of the Action  
10 Plan. If you were participating yesterday, it's the  
11 same presentation.

12 So others of you, though, welcome. And Dave  
13 went through the workshop dates, so today we're doing  
14 residential, then Friday we're going to be doing  
15 nonresidential topics in Los Angeles.

16 And again, you can always provide comments at  
17 the end of the day if you are not able to participate on  
18 Friday.

19 Okay, so the Comprehensive Energy Efficiency  
20 Program for Existing Buildings, what is it?

21 Well, this was a mandate, as the Commissioner  
22 mentioned. It passed in 2009, AB 758, by Assembly  
23 Member Nancy Skinner.

24 It calls for a comprehensive program to achieve  
25 energy savings in all of our existing buildings. It's a

1 program that embodies a complementary portfolio of  
2 different techniques and applications, and practices to  
3 improve that efficiency.

4 The Energy Commission is called to develop this  
5 program, with the Public Utilities Commission and a lot  
6 of other stakeholders, many of you in the room and on  
7 the phone.

8 This program is going to take a massive effort,  
9 a massive collaboration on our parts. None of us can do  
10 this alone, so it really is going to take all of us,  
11 with a tremendous amount of coordination and will.  
12 We're going to have to want to do this together and to  
13 leverage our resources, and really make this happen.

14 And lastly, the Energy Commission has the  
15 authority, then, to implement regulations. So, we're  
16 going to show some potential mandatory approaches that  
17 we are considering as part of this Action Plan.

18 The elements in the Comprehensive Plan are to  
19 have a long-term statewide approach to achieving energy  
20 efficiency in existing buildings, to have cost-effective  
21 energy efficiency improvements installed.

22 There needs to be public and private financing  
23 options out there. A lot of work has already been done  
24 in this area.

25 And we heard yesterday from the Public Utilities

1 Commission and from Energy Commission staff on ARRA  
2 models that are out there.

3 Also, about bringing this workforce, we've done  
4 a lot of work in the last few years on workforce, and we  
5 want to continue aligning that and making sure that the  
6 training is aligning with the improvements that we need  
7 done in the market.

8 Also, a broad range of energy assessments,  
9 benchmarking, and ratings.

10 So, we believe we've covered all of those in the  
11 Action Plan, but we're really interested to hear from  
12 you on if we hit it or, really, if we missed it.

13 So, today we're looking for you to tell us that.  
14 Tell us if we've missed something, something important  
15 that needs to be in there.

16 So, the AB 758 Program is really being  
17 implemented over three different phases. The  
18 development and infrastructure -- the infrastructure  
19 development in the Action Plan is in Phase I, and we're  
20 at the tail end of Phase I.

21 So, over Phase I, really the last three years  
22 the Energy Commission implemented the ARRA pilots, and  
23 the IOUs conducted single-family whole house upgrade  
24 programs, and the multi-family pilots were also  
25 launched.

1           The Energy Commission released the AB 758  
2   Scoping Plan and we held workshops in fall of 2012. And  
3   we heard from you with lots of comments and that is what  
4   made up the Action Plan.

5           We've just released this Draft Action Plan and,  
6   as Dave mentioned, then we will be releasing the final  
7   in the fall.

8           So, just to take a step back really quickly  
9   about what the Energy Commission did with these ARRA  
10   pilots. So, we really do look at the pilots as being  
11   the foundation for AB 758.

12           If you look at the orange boxes, we did some  
13   targeted commercial programs. So, they did  
14   refrigeration lighting, and HVAC and lighting control  
15   measures in small and medium commercial buildings  
16   statewide.

17           We also had financing pilots, so those are the  
18   green boxes. Those are Department of General Services,  
19   we have a statewide, state-owned revolving loan fund  
20   which continues for the next, at least, five years.

21           We have the very popular CHF financing, also  
22   known as MIST 1. It was below market interest  
23   throughout the State. That really was really what  
24   helped a lot of the upgrade projects get underway.

25           And then we have the Bay Area Multi-Family Fund,



1    which financed a few multi-family projects in the Bay  
2    Area.

3           The blue boxes are what represent -- circles,  
4    excuse me, what really represent Energy Upgrade  
5    California. We spent probably a third of our ARRA money  
6    on these programs in total and we -- the local  
7    government commission contract is what really set the  
8    state for the statewide framework.

9           And then we gave local governments, ABAG, County  
10   of San Diego, SMUD, Los Angeles, and here in Fresno all  
11   have local programs that did different elements to make  
12   Energy Upgrade California program what it is.

13          So I know in Fresno it was very successful.  
14   They did the HERS rating pilots and accomplished well  
15   over 1,000 HERS ratings. And so that was a very  
16   successful project just in your community.

17          We also invested over \$18 million in workforce  
18   and we worked with the WIBS and community colleges, here  
19   in California, to align and create training programs.

20          Also, the non-res side we did start the BEARS  
21   Nonresidential Rating Certificate.

22          So, in this Action Plan we really divide -- we  
23   divide the Action Plan into three main categories. We  
24   have the no regrets category, Voluntary Pathways, and  
25   the Mandatory -- the Potential Mandatory Approaches.

1           The no regrets are policies or actions that are  
2   needed to really establish a foundational framework  
3   where all of these, really, strategies and initiatives  
4   will really build from.

5           And these foundational elements, on their own,  
6   are also very valuable and it's what we need in order to  
7   really get the markets to continue to grow in scale.

8           There's four foundational no regrets items that  
9   we're talking about in the Action Plan related to data,  
10   standards compliance and enforcement, marketing,  
11   education and outreach resources, and workforce  
12   resources.

13          We did focus on the no regrets yesterday, in San  
14   Francisco, but today we are going to be talking about  
15   the compliance as that really lines up with our  
16   residential programs.

17          The voluntary pathways, these are market support  
18   activities that build upon past efforts and channel our  
19   existing resources.

20          This plan encourages multiple pathways, not just  
21   one pathway, in order for us to really count all of our  
22   energy savings for our goals, and to really tap  
23   homeowners or building owners when they're ready to do  
24   this, and really then get them to do energy efficiency.

25          The potential mandatory approaches could make

1 the market more transparent and move mature measures  
2 into wider use. The need for mandatory approaches will  
3 depend on the results of in-depth conversation with our  
4 stakeholders and a public process to evaluate the pros  
5 and cons of all the issues.

6 If mandatory approaches are determined to be  
7 desired and feasible, then the timing will really depend  
8 on how the no regret strategies and the voluntary  
9 pathways are progressing.

10 Again, none of these mandatory approaches will  
11 be taken unless there's extensive public input.

12 So, I'm just going to go just briefly into each  
13 one of the chapters that we're talking about in the  
14 Action Plan.

15 In the no regrets strategies, number one for us  
16 is data reporting and management. This strategy is  
17 calling for the collection, and organization and storage  
18 of data from multiple programs and sources.

19 This data, we are saying needs to be accessible  
20 to stakeholders, including data that is -- some form of  
21 data that is available to the public or building owners.

22 The data collected, it's needed to establish  
23 baselines, metrics and to conduct evaluations. And if  
24 we have it all in one place and we're using all the same  
25 data, then we'll be comparing apples to apples.

1           No regrets II is support for the standards  
2 compliance and enforcement. This strategy calls for  
3 implementation of solutions to increase compliance with  
4 enforcement of standards for alternations in existing  
5 buildings.

6           This is an area where stakeholders are really  
7 going to need to work together, building departments,  
8 State agencies and contractors. We really need to work  
9 together in order to gain acceptance of processes and  
10 confidence, both in the contractor community and  
11 homeowners.

12           The third one is the foundational marketing,  
13 education and outreach resources. We believe that  
14 marketing, education and outreach are really critical to  
15 the foundation of these programs.

16           And we need to leverage those efforts since,  
17 typically, MEO budgets are very limited, in order to get  
18 out there and educate, and do a lot of outreach to  
19 consumers we're going to really need to be working  
20 together and leveraging those dollars to make them go  
21 farther.

22           And lastly with the no regrets is the workforce  
23 resources. It's important that we're aligning our  
24 workforce efforts and that we're preparing an industry  
25 to be ready to make the efficiency alterations that

1 we're calling for.

2 As we move into the voluntary pathways, today  
3 that's where we're really focusing on the residential  
4 areas, so the residential upgrades.

5 We're saying that we need to make sure that  
6 we're creating easy access to multiple pathways.

7 We've been focusing on the whole house pathway  
8 in the last few years, especially with our ARRA pilots.  
9 And we're not saying that the whole house pathway goes  
10 away, we're saying that we need to offer more entry  
11 points for people to touch -- to complete energy  
12 efficiency when they're doing a single measure, maybe  
13 multiple measures, throwing in some insulation on top of  
14 an HVAC job, or doing whole house. Or, perhaps, if  
15 they're beyond whole house doing some renewables on top  
16 of that.

17 So, multiple pathways is really critical in  
18 order for us to capture a lot of energy savings  
19 opportunity.

20 Standardizing the nonresidential tools for  
21 benchmarking, auditing and retro-commissioning, we want  
22 to make sure we're developing benchmarking approaches  
23 that enable targeting of high-opportunity buildings for  
24 audits, and provides standardized tools to increase user  
25 and consumer, or building owner confidence.

1           In voluntary pathway III, this is for small and  
2 medium commercial buildings. We want to survey networks  
3 to establish baseline energy use and performance levels  
4 for small and medium commercial buildings, and develop  
5 cost-effective energy audit tool protocols, and conduct  
6 a lot of different energy efficiency pilots in the  
7 market up and down the State.

8           The public sector leadership chapter, voluntary  
9 pathway IV, we are calling for all State, local and  
10 regional governments to work together and to improve the  
11 energy performance in public buildings, and to work with  
12 private building owners where government leases the  
13 buildings.

14           In voluntary pathway V, energy efficiency and  
15 property valuation, that's something we'll be talking  
16 about today. We want to make sure we're achieving this  
17 market transformation by incorporating energy efficiency  
18 performance into the property valuation and appraisal  
19 processes.

20           It's going to involve a lot of coordination and  
21 working with the real estate and appraisal stakeholders,  
22 and industry, and we just need to make sure that we're  
23 very careful not to burden that process in any way while  
24 we're trying to build efficiency into that process.

25           Lastly, with the voluntary pathways is financing

1 upgrades. We spoke about that yesterday. There's been  
2 a lot of work done in financing. The Energy Commission  
3 did have many different financing pilots and then some  
4 of those were continued with the CPUC decision, and then  
5 the PUC's doing a lot of other good work with the  
6 financing.

7           So, we want to continue with those successful  
8 financing programs and continue to work with our  
9 partners.

10           As we move into the potential mandatory  
11 approaches, potential mandatory approach I is the  
12 Statewide Energy Efficiency Use Disclosure Program for  
13 the largest commercial and public buildings.

14           We want to make sure we evaluate the need for  
15 and the feasibility of a statewide energy use disclosure  
16 program for those buildings.

17           These buildings will then really model the way  
18 for other buildings.

19           With the potential mandatory approach II for all  
20 existing buildings a disclosure of ratings and  
21 completion of basic energy upgrades.

22           The Energy Commission, we do recognize the need  
23 to fix our current rating system, and we are taking  
24 suggestions from stakeholders under a different program,  
25 different conversations.

1           But we know that under this mandatory approach  
2   that we're going to evaluate the need and feasibility,  
3   and we're going to conduct public proceedings to talk  
4   about, again, the pros and the cons of this.

5           And we will only take this approach, again, if  
6   the voluntary pathways really have matured and we see  
7   the need then to do this.

8           Again, none of these -- these two potential  
9   mandatory approaches will be considered after  
10  stakeholder engagement and proceedings.

11          David mentioned before these Energy Commission-  
12  identified Action Plan gaps. I just want to highlight  
13  these again.

14          These are gaps we've identified. If you see  
15  other gaps than this, we would really like to hear from  
16  you today or through the comment process.

17          Also, if you are someone who works in one of  
18  these areas, we'd like to hear from you about your  
19  thoughts on these areas as we're building the final  
20  Action Plan.

21          The program phases again, so then we move from I  
22  to II. We're going to be in phase II implementing the  
23  Action Plan strategies.

24          People say, oh, when does implementation start?  
25  I say implementation's really already begun. There's



1    been so many pilots and programs out there we're now  
2    putting this plan together. We're going to continue the  
3    partnership development to implement all of these  
4    strategies.

5           We want to make sure that we address the market  
6    gaps and the imbalances that are occurring.

7           We want to make sure that we are coordinating,  
8    and optimizing, and aligning, and streamlining all these  
9    existing programs, and leveraging, or combining, or  
10   eliminating like similar programs, or programs that are  
11   duplicative in nature.

12          We want to ensure that we are aligning with the  
13   Public Utilities' Commission Strategic Plan, and the  
14   Public Utilities' and the Energy Commission's efforts  
15   under EPIC, as well as the Energy Commission's efforts  
16   that are going on under research and development, the  
17   old PIER Division.

18          We are identifying and filling program gaps we  
19   believe in the Action Plan, to make it possible to touch  
20   all buildings.

21          The plan is really to target all sectors, all  
22   buildings types, vintages, and in all climate zones.

23          The ultimate goal for us to make sure that all  
24   the alterations that are happening, we're really  
25   counting all of those toward our energy goals.

1           In this phase, this is a representation of the  
2 partners. Nobody's left out of the conversation.

3 Anybody who wants to be at the table, we let at the  
4 table to talk about implementing these programs.

5           So there needs to be very strong collaboration,  
6 and partnership and engagement as we move this plan into  
7 a reality.

8           The last phase of the Action Plan, our AB 758  
9 program, is the potential implementation of the  
10 mandatory requirements. Again, before these mandatory  
11 approaches will be considered, the voluntary market must  
12 reach some level of sufficient maturity.

13           We need to make sure that we're examining  
14 appropriate metrics and track things over time so that  
15 we understand where we are in the marketplace.

16           Again, these mandatory requirements will only  
17 take place after considerable stakeholder engagement.

18           Those potential mandatory requirements from the  
19 Action Plan are to publicly disclose the energy use,  
20 again for the largest commercial and public buildings,  
21 disclose energy performance ratings, and complete basic  
22 level energy efficiency upgrades.

23           Finally, in the Action Plan we do talk about a  
24 program oversight. We envision the creation of an  
25 oversight group that includes key policy makers and

1 stakeholders representing all industries and interested  
2 parties. These would be many of the stakeholders you  
3 just saw on that other graphic.

4 The State and public agencies, utilities, public  
5 implementers and administrators, local and regional  
6 governments, industry leaders and representatives, our  
7 legislative leaders, as well as consumer, and our  
8 consumer advocates, and our environmental justice folks.

9 The oversight group would likely meet, you know,  
10 a couple of times a year, in different places. But  
11 really what we want to make sure is that we're taking  
12 advantage of all of those groups that already are  
13 meeting and talking, working groups, other groups and  
14 leverage what's going on in there with this plan. They  
15 really should be feeding into one another.

16 Again, just to remind you about the next steps,  
17 we're workshopping this plan this week. Our final  
18 workshop is on Friday, in L.A., doing nonresidential  
19 issues.

20 Public comments are for two weeks after the  
21 final workshop. So, the comment period is going to end  
22 at 4:00 p.m., Friday, July 12th. If you pull the  
23 notice, it will give you all of the information about  
24 where to send your comments, either through the mail or  
25 through the internet.

1           We're hoping to send out the revised Draft  
2   Action Plan in July or August.

3           Dave had mentioned that we may potentially be  
4   workshopping the Action Plan gaps. If we receive a lot  
5   of comment and input about that, we will do that in July  
6   or August.

7           And we may -- if there's significant changes  
8   from draft to final, then we may workshop the final  
9   Action Plan one last time, before it's finally adopted  
10   by the full Energy Commissioners in fall of 2013.

11          And that is it for me. Are there any questions  
12   or comments?

13          And just a reminder to folks making comments or  
14   questions, please, when you're done making -- introduce  
15   yourselves, and if you have a business card, if you can  
16   please bring it to the court reporter, who's sitting in  
17   front.

18          If you're on the web, we will be toggling  
19   between room and web. Web, please put a -- if you have  
20   your hand raised or put a comment in the chat, and we  
21   will get to you as soon as possible.

22          MR. RAYMER: Thank you. I'm Bob Raymer, with  
23   the California Building Industry Association.

24          And I suppose, sort of up front, we really like  
25   the general tenure of the report that was issued, a lot

1 of great stuff. And we do plan to work very closely  
2 with you.

3 I'm a little bit confused by the -- sort of the  
4 order of things. It would seem to me, and maybe I'm  
5 getting this wrong, but to wait until all of the  
6 voluntary issues are exhausted, those pathways are  
7 exhausted before we get into mandatory doesn't seem to  
8 be, I would say, the most efficient, but maybe I'm just  
9 not understanding it right.

10 Let me give you an example. In your report,  
11 particularly pages 23 through 26, you talk about a very  
12 visible HVAC change-out problem. This is the one where  
13 I think the John Proctor report looks into it and they  
14 found in the Sacramento region there were some 10,000  
15 air conditioners that had been changed out in a  
16 particular period of time. I think it was 12 months.

17 And of that, only 1,400 or 1,500 had permits  
18 pulled, which says a lot about the underground economy,  
19 et cetera, et cetera.

20 One of the possible resolutions to that problem,  
21 and by the way the problem's worse once you get outside  
22 of Sacramento. For most of the State I suspect it's  
23 well over 90 percent, probably around 95 percent.

24 But having said that, am I to understand that we  
25 couldn't try to address the HVAC/change-out/permit issue

1 by somehow requiring a tracking system and start working  
2 on that now, as opposed to later?

3 When somebody goes to a retailer outlet, or a  
4 manufacturer and buys an HVAC system, they're probably,  
5 just kind of like with new construction, there probably  
6 should be some way to understand where that HVAC system  
7 is going out in the field.

8 So, and then I have another comment after that.

9 COMMISSIONER MC ALLISTER: Yeah, so I'll take  
10 that one, preliminarily here.

11 So, no regrets strategy number II is permitting  
12 and code compliance. So that is not in the mandatory  
13 section. That is in the no regrets section.

14 So that is like hit-the-ground-running, we've  
15 got to fix that, whatever resources that are needed to  
16 help permitting happen.

17 And, you know, I'd like to focus more on carrots  
18 and less on sticks because I think that just allows us  
19 to all get along well.

20 But, you know, sticks are going to be necessary  
21 at some level, too. We've got to have some enforcement  
22 mechanism, we've got to work with the CSLB, you know, et  
23 cetera, et cetera.

24 MR. RAYMER: Absolutely.

25 COMMISSIONER MC ALLISTER: And, you know, we've

1 had some of these conversations.

2 So, exactly what that looks like and what kinds  
3 of resources like, you know, helping local governments  
4 streamline their permitting processes, helping educate  
5 contractors, and local government, and building  
6 officials on the actual code, itself, so they know what  
7 the heck it is they're supposed to be doing, you know,  
8 what the -- what the -- essentially, the requirements in  
9 fact are, because I think there's a disconnect there.

10 I mean, if we're going to ask CSLB to go enforce  
11 and they find a bunch of people who actually are  
12 confused by the code because it's so complex, then  
13 that's not really a fair position to put them in, right.

14 So, I think there are a lot of issues that kind  
15 of need to be talked through, and figured out, and we've  
16 got to find some resources to solve them.

17 MR. RAYMER: And so we effectively can kind of  
18 do that as we --

19 COMMISSIONER MC ALLISTER: We can move forward  
20 on that.

21 MR. RAYMER: Oh, great.

22 COMMISSIONER MC ALLISTER: We can absolutely  
23 move forward on that.

24 MR. RAYMER: Then that's fantastic, that's  
25 great.

1           COMMISSIONER MC ALLISTER: So, I want to make  
2 one sort of observation and I guess a request. So, I  
3 kind of agree that the way mandatory is laid out here is  
4 a little bit confusing. And I think part of that just  
5 comes out of the phased, okay, we sort of wanted a  
6 finite, you know, a small number of groupings of  
7 initiatives. And kind of mandatory just logically comes  
8 last there.

9           But, you know, the only part of mandatory that  
10 really kind of deserves -- really kind of follows from  
11 the voluntary is really what -- you know, so let me just  
12 sort of lay out our dilemma here.

13           You know, it's pretty touchy to require  
14 upgrades. You know, time of sale and kind of, you know,  
15 really force that in the marketplace.

16           And that's a conversation that really has a lot  
17 of -- it's a pretty heavy-duty conversation. There's a  
18 lot of stakeholders, there's a lot of strong opinions on  
19 either side of that. And, you know, and frankly,  
20 there's politics involved, too.

21           So, if we're going to do that, we really need to  
22 have a good value proposition for why that's really  
23 necessary and how we're going to make it happen. And  
24 that's a conversation that the time for that -- I mean  
25 we can start that conversation sooner, but I think the



1 actual opening of a proceeding to develop regs is a  
2 little bit down the road on that, on the time of sale  
3 upgrades.

4 MR. RAYER: Sure.

5 COMMISSIONER MC ALLISTER: You know, the real  
6 estate industry will have a lot to say about that. And  
7 I want to challenge them to come up with solutions, as  
8 well.

9 So, I think -- but other, you know, quote,  
10 mandatory things, like disclosure, for example, energy  
11 performance indicators, things like that, we could  
12 absolutely start those discussions sooner, rather than  
13 later, as well.

14 MR. RAYMER: Right.

15 COMMISSIONER MC ALLISTER: So, it's not all of  
16 the mandatory things can only come after we've exhausted  
17 all other possibilities. That's not really what the  
18 intent is here and I think that's not clear totally from  
19 the document, and we probably need to fix that.

20 The phased approach is a little bit of an  
21 artifact of, okay, ARRA is phase I, and then there's  
22 phase II, and then there's phase III.

23 And so I'm not sure if the phases are as useful  
24 as maybe they were because I think we kind of need to  
25 move forward on all fronts that we possibly can, sooner

1     rather than later.

2                 So, you're point is well taken.

3                 MR. RAYMER: That's the response that I wanted  
4     to hear. And so it was just sort of a misreading of the  
5     plan of attack here.

6                 The last comment, with regards to training and  
7     education, we've had a lot of discussions on this issue  
8     over the last year or so. And this is more directed to  
9     Simon, at the PUC.

10                We've been sort of perplexed over -- the  
11    building industry has, we've been perplexed over the  
12    last decade in that the Public Utilities Commission,  
13    when overseeing and adopting, and then implementing the  
14    IOU programs obviously apply value to Reach Codes, going  
15    above and beyond the State mandate, as well they should.

16                But a key factor, a key link in getting these  
17    Reach Codes implemented, whatever provision it is,  
18    involves an understanding of the Reach Code and it  
19    involves and implementation, an effective implementation  
20    of that Reach Code provision.

21                And if you don't understand the regulation, if  
22    you can't implement it, you can't inspect it well, so  
23    that you get the job that the CEC assumes is getting  
24    done, you're not getting the value of the change.

25                And so not only should the construction

1 specification be given value, but there should be  
2 clearly assigned value for education and training of  
3 everybody who's involved in implementing what can be  
4 characterized as a relatively technically complex set of  
5 building standards.

6           And over the years, you know, you've got a  
7 particular shading coefficient value, and if you go much  
8 further you get so much credit for that, but you've got  
9 to understand how to look for the shading coefficient  
10 value. You've got to understand how to see this out in  
11 the field, how to check it on a plan check.

12           And so, education and training has enormous  
13 value and that's one of the ways that we could maybe get  
14 all this in.

15           Right now training and education efforts kind of  
16 go in cycles. We're kind of at the low point right now.  
17 We've got thousands of new building officials that are  
18 being hired back to these jurisdictions that have been  
19 plagued by the economic downturn, the same thing with  
20 subcontractors, site superintendents for builders and  
21 designers.

22           The economy is improving, but as the workforce  
23 regenerates a whole lot of them are going to be  
24 scratching their head, not only about the 2014 regs, but  
25 about the 2010. So, training and education has enormous

1 value here.

2 It's just a comment that, hopefully --

3 MR. BAKER: I guess I would just respond because  
4 you directed the question to me. We would totally agree  
5 that training and education is absolutely vital.

6 Back to my point that I made earlier, however,  
7 the funding for training and education programs is  
8 somewhat constrained by our current methods for  
9 demonstrating and attributing savings associated with  
10 that activity.

11 And I think it's right that the workforce  
12 training strategy in this plan is in the no regrets  
13 section of the report. I think that makes sense because  
14 this really is going to take a statewide effort.

15 And I think that that's one of those areas that  
16 is going to require a coordinated statewide effort,  
17 probably a lot of sharing of resources, a lot of out-of-  
18 the-box thinking about funding sources.

19 The PUC has already signaled that we want the  
20 Utilities' Workforce Training Programs to focus on what  
21 are called sector strategies, which is forming these  
22 strategic alliances with the education institutions, and  
23 the trainers, and the industry associations, and what  
24 have you to implement these collaborative efforts, to  
25 share resources and to be strategic about how we do

1 workforce training.

2           So, I guess I would say that in response to your  
3 question.

4           COMMISSIONER MC ALLISTER: And on the  
5 permitting, that's on the docket for today to talk  
6 about, so we're going to have a presentation, and we're  
7 going to work through some of the issues and proposed  
8 kind of solutions. And so, you know, really, we can dig  
9 into any level of detail we want at that point.

10           But thanks for bringing it up.

11           MS. SVEC: Jennifer Svec with the California  
12 Association of Realtors, just because you happened to  
13 mentioned us a time or two, we are here.

14           We were very encouraged by the report. We liked  
15 seeing the incentive-based approach in order to  
16 encourage the consumers or homeowners to actually invest  
17 in energy efficiency voluntarily to begin with.

18           We did like the concept of date certain to be  
19 reached. As we reach out into the future, once you  
20 exhaust the incentive base.

21           We do like the carrot approach, like you had  
22 discussed in the report. I think that's something we  
23 suggested previously, like seeing that on the future.

24           We would also like to work with the Energy  
25 Commission Commissioner, as well as the staff, to

1 develop the disclosures that you're talking about to  
2 find a workable solution. There's a lot of options out  
3 there for encouraging information. Some information is  
4 provided now, as it's information that a homeowner has  
5 when they transfer the property. Some of it they may  
6 not know.

7           So, I think there's a lot of complexity in the  
8 transaction that exists. But we very much look forward  
9 to being a partner in this process in making energy  
10 efficiency a reality throughout the entire housing  
11 stock, as it's important for all California consumers  
12 and not just those that transfer property.

13           COMMISSIONER MC ALLISTER: Yeah, thanks very  
14 much for being here and for your comments.

15           I will say I just bought a house and I signed a  
16 lot of papers. You know, I'm a little fuzzy on what,  
17 actually, I signed.

18           But I did actually look at -- I was very  
19 interested, obviously, in the utility bills and sort of  
20 what the profile of the house, 1990 construction. You  
21 know, I'm very excited to sort of do some aggressive  
22 upgrades, you know, and sort of get some -- both some  
23 personal experience, and also some demonstrative  
24 experience for the marketplace.

25           Trying to sort of say, hey, I'm going to go

1 through this process and show the warts and all, and  
2 sort of see what's what. Because I think it's the right  
3 thing to do but, also, it's going to be a learning  
4 experience, I think, that I can transmit.

5 But I will say, when I'm walking through the  
6 house and I'm thinking, boy, these people really have  
7 their AC on and it's pretty chilly in here, and I wonder  
8 what they're energy bills are. And I call up PG&E and I  
9 say, you know, I'd like to know what the deal is, you  
10 know, the last 12 months energy bills.

11 And they say, well, the average bill has been X  
12 number of dollars.

13 Well, you know, could you send me the energy  
14 consumption, you know? I mean I know what their rates  
15 are, I can do a spread sheet, you know, month-by-month,  
16 see what the -- tier four, whatever.

17 You know, I want to do that, like I'm an  
18 inquiring mind and I want to know.

19 MS. SVEC: Absolutely.

20 COMMISSIONER MC ALLISTER: And they wouldn't  
21 give me any of that information. They said, nope,  
22 sorry, privacy.

23 MS. SVEC: That's exactly what I was going to  
24 come and talk about.

25 COMMISSIONER MC ALLISTER: Sorry, that's just --

1 that is not acceptable to me. That is just not  
2 acceptable.

3 So, I mean and I get why that is, but if I'm  
4 about to invest, essentially, a big chunk of my life  
5 savings, I need to know.

6 And so there's got to be a pathway for me to  
7 know, and maybe that's enabled by a realtor who has the  
8 authority to ask and get that information from the  
9 utility. I mean I don't know.

10 So, what I ended up doing was actually, through  
11 the realtors, you know, asking my agent to go to the  
12 other agent, ask the seller to photocopy the last 12  
13 months of their bill and then give it to me, which they  
14 were willing to do. But they didn't have to do that,  
15 right.

16 So, to the extent they thought it might endanger  
17 the transaction, I'm sure they felt that they probably  
18 needed to do that.

19 So, you know, like for example, right. So,  
20 there's just got to be -- and we're going to talk about  
21 valuation today, and energy performance as it influences  
22 valuation.

23 You know, there are a bunch of different ways we  
24 could set up systems to transmit that sort of  
25 information and we need to talk about what the kind of



1 most streamlined, logical ones might be.

2           So, anyway, sorry, I apologize for injecting my  
3 personal experience here, but it seemed relevant at the  
4 moment.

5           MS. SVEC: We've actually sought to do that in  
6 previous legislation, to get those utility bills to be  
7 released from the utility's, themselves, because that is  
8 an easy, cheap source of information that can be  
9 provided that does not hamper, hopefully, the  
10 transaction and getting the information. The utility's  
11 already had it.

12           I know the PUC has been very great with their  
13 pilot projects. They've been working with the IOUs, the  
14 POUs to do sort of evaluations where they do an  
15 automatic outreach to individuals that are high energy  
16 users and telling them whether they are in the excellent  
17 category, good category, or fair, and they kind of give  
18 them suggestions as to what is happening.

19           I know PG&E has a program, SMUD has a program,  
20 and a couple of others.

21           I think that the PUC, in that realm, is doing a  
22 fantastic job to find out how that works.

23           I think the next part, like you said, is getting  
24 the utilities' themselves, to release the data so that  
25 we can transmit it.

1           I don't think that there's a problem in us  
2 actually using that data because it's very, very  
3 helpful. I think the problem is getting the utilities  
4 to come to the table and allow us to have access to that  
5 data, even if we are not the original consumer of that  
6 particular information.

7           COMMISSIONER MC ALLISTER: Yeah and, you know, I  
8 mean certainly I'm willing to go make a spread sheet and  
9 like get my head around it that.

10          MS. SVEC: Yeah.

11          COMMISSIONER MC ALLISTER: But most people  
12 won't, and so we need some relatively streamlined,  
13 simplified way to do this that's easy, and contains some  
14 actionable information. You know, and I think that's  
15 not -- it shouldn't be -- it's not rocket science, but  
16 it needs to be done.

17          MS. SVEC: We would love to work with you on  
18 finding a way to make that happen.

19          COMMISSIONER MC ALLISTER: Great.

20          MR. ASPER: Easy, cheap solution. I like that.  
21 It's a good idea.

22          My question was actually -- oh, I'm sorry,  
23 Conrad Asper, Efficiency First California.

24          First, I should start, because it's the  
25 beginning of the day, thank you again for all the work

1     you've done on this.

2                 I'm reiterating what I said yesterday, as well,  
3     so --

4                 COMMISSIONER MC ALLISTER:   Don't sound so  
5     enthusiastic about it, Conrad.

6                 (Laughter)

7                 MR. ASPER:   No, no, you guys have -- I know a  
8     lot of work went into this and we're getting there.

9                 It's actually for Christine, a point of  
10    clarification.  If mandatory approaches are deemed  
11    necessary and feasible, conduct public proceedings.

12                When, where does that fit into this?  Because  
13    we've said now that we're going to have comments by the  
14    12th and then the draft -- the next Action Plan by mid,  
15    the end of July, August.

16                Is it there are those proceedings if deemed  
17    necessary in between, or is that detail down the road?

18                MS. COLLOPY:  No, that's -- I mean that's -- no,  
19    the Action Plan is our immediate next steps.

20                MR. ASPER:   Okay.

21                MS. COLLOPY:  Proceedings are longer term.  So,  
22    if we're doing a data proceeding that's a no regret,  
23    that might be something that's much sooner than  
24    something else that's going to involve seeing on the  
25    voluntary market goes, see how the no regrets go, and

1 then we'll start talking about a mandatory approach.

2 But no, those are not happening before the  
3 release of the draft -- of the final.

4 MR. ASHUCKIAN: Those proceedings would be the  
5 implementation of the Action Plan strategies.

6 MS. COLLOPY: Right.

7 MR. ASPER: Got it. So, okay, I just wanted to  
8 make sure.

9 COMMISSIONER MC ALLISTER: There are a lot of --  
10 you know, lots of things happening parallel that, you  
11 know, are not related, necessarily, strictly to AB 78 or  
12 even energy efficiency at the Commission.

13 One of the things that we do is collect lots of  
14 data from utilities and other stakeholders for a variety  
15 of reasons, you know, for forecasting and things like  
16 that. The lion's share probably falls in the  
17 forecasting realm.

18 And periodically, you know, we open a proceeding  
19 to work on data issues, data requests, trying to  
20 streamline from the utilities, trying to make sure that  
21 we're up to date.

22 You know, in the last ten years a lot has  
23 happened on this front and it's kind of time for a  
24 refresh.

25 And so one of the things we're planning on doing

1 is opening a proceeding to update our data request. You  
2 know, it's kind of implementation of our data authority.  
3 And this is a logical item that could fit in that  
4 proceeding.

5 So, if there are things that need to happen that  
6 involve some regulatory conclusion of some regulatory  
7 process, modification, or changing, or development of  
8 regs then we can include it in that proceeding, for  
9 example, with respect to data.

10 And so there's already kind of a reason that  
11 that's going to happen and we sort of get on that train  
12 when it leaves the station.

13 But on mandatory stuff, you know, like on -- you  
14 know, we just implemented AB 1103. It's about to go  
15 into application. And that's point -- that's time of  
16 sale disclosure for commercial buildings, so between the  
17 seller and the buyer.

18 So, basically, the seller has to authorize the  
19 disclosure of energy performance data to the buyer at  
20 sale.

21 So, that's an example of a proceeding that was  
22 implementing legislation that something similar like  
23 that could happen for -- under AB 758 to develop, you  
24 know, the disclosure of additional building stock  
25 information, you know, mandatory upgrades. You know, if

1 those turn out to be really ready for prime time and we  
2 want to go that route.

3 Those discussions would be handled in a  
4 regulatory proceeding that is open, transparent and, you  
5 know, to facilitate and organize that discussion.

6 So that is something that would then be an  
7 outcome of or an application of the Action Plan as  
8 adopted.

9 So, down the road, when certain conditions are  
10 met we'd open a proceeding on X, Y or Z.

11 MR. ASPER: Got it. Okay, and part of that  
12 question comes, too, there's a glossary and definitions,  
13 and energy performance rating is not actually defined  
14 here in any way. So, I would think that maybe those  
15 proceedings after would be helping to define what that  
16 means? That's an open end at this point.

17 Okay, great. Thank you for nodding.

18 MR. ASHUCKIAN: Good point, thank you.

19 MS. COLLOPY: Yes.

20 MR. ASPER: Yes.

21 COMMISSIONER MC ALLISTER: Yes.

22 MR. ASPER: I'm done, thanks.

23 MR. ASHUCKIAN: Why don't you go ahead?

24 MR. HUSAK: Good morning. My name is Aaron  
25 Husak. I'm with Balanced Comfort. Thank you for coming

1 to Fresno.

2 My question is I've spent a few years in the  
3 solar industry and after a short period of time you  
4 realize that you can gather a lot of information about  
5 who's installing solar panels in terms of zip codes,  
6 what types of solar panels they're installing, what  
7 types of inverters, how big the system is, what kind of  
8 rebate they get.

9 Do we have anything like that right now for  
10 energy upgrade or any of the pilot programs in the  
11 State?

12 COMMISSIONER MC ALLISTER: Who planted this  
13 question?

14 (Laughter)

15 COMMISSIONER MC ALLISTER: So, let's see where  
16 to start? No, we do not have that.

17 You know, there is a lot of information, and  
18 largely the PUC, and perhaps Simon can comment on this,  
19 that does exist and has been reporting into the PUC, you  
20 know, by the utilities and by the program folks that  
21 they work with, and gathered extensively as part of  
22 their evaluation of those programs.

23 The resource that -- but so far most of that  
24 information hasn't really been public, you know, there's  
25 sort of studies that come out and they go into the

1 CALMAC website, right, and sort of there's a lot of  
2 learning associated with that. But it's not in a  
3 structured format where, you know, somebody who's  
4 interested can download it and develop market intel out  
5 of that data.

6           You know, you refer to the California Solar  
7 Initiative Database which is, I think, significantly  
8 less complex than an equivalent resource in energy  
9 efficiency would have to be.

10           But it is a really good sort of example of  
11 publicly reported program outcomes that are actually  
12 quite granular. I mean it's project level data.

13           I think there's a lot of talk about, oh, we'd  
14 aggregate the data. Well, you know, actually, the CSI  
15 data is not aggregated. It's not -- you know, there's  
16 no energy consumption data in there, right, so that's  
17 pretty key. I mean that makes it kind of a different  
18 beast than much of the conversations that we've been  
19 having about data.

20           But also it's anonymized, like there's no names  
21 and addresses there. But you know, for virtually every  
22 system, you know, of the 140 plus thousand solar systems  
23 that the energy -- that the California Solar Initiative  
24 has funded, it's project level data. So, you know which  
25 zip code the project is in and you know all the



1 characteristics about that project. Who installed it,  
2 what the reported cost of it is, how much incentive it  
3 got, when it got -- when the application came in, when  
4 the interconnection happened, what inverter, what panel.  
5 I mean, you know, on and on and on. There's a lot of  
6 really valuable market information in there.

7 I've used it, myself, for doing research. And I  
8 think a lot of the businesses that develop the  
9 innovative business models that allow the solar industry  
10 to grow were reinforced and enabled, to a large extent,  
11 by the availability of that data publicly.

12 And, you know, if we're particularly -- if it's  
13 program related and there's some, you know, ratepayer-  
14 funded or public money, or through the ARRA, or whatever  
15 going to these projects it's really kind of an  
16 obligation to have that information available at some  
17 level.

18 What the impacts of it are, how accountable --  
19 you know, I mean just basic accountability.

20 So, you know, I think that some equivalent in  
21 energy efficiency is absolutely needed. It would  
22 enable, it would drive a lot of investment.

23 I think it would really enable some creative  
24 thinking that certainly we, as a regulatory agency  
25 are -- you know, we're not the ones to come up with the

1 questions that need to be asked. That's somebody who's  
2 wanting to invest money, a VC, or just a contractor or,  
3 you know, somebody who has an innovative business model  
4 that they want to figure out if it's -- you know, do due  
5 diligence on and needs to be able to ask those  
6 questions.

7 And if you're located here in Fresno, you need  
8 to be able to ask those questions for the Fresno region,  
9 for example.

10 So, you know, I think that there are -- I'm  
11 really excited about the prospect of having -- you know,  
12 having those kinds of resources be publicly available  
13 because I think they would really have -- they would  
14 light a fire under the industry in a way that it's hard  
15 to imagine happening without it.

16 So, I'd really love to have your comments on  
17 what you think that ought to look like and, you know,  
18 even what kinds of information you'd like to see in a  
19 resource like that.

20 MR. HUSAK: Thank you.

21 MR. BAKER: I think Andrew said it very well. I  
22 would just complement his words to say that, again, just  
23 to emphasize the point where we're talking about for the  
24 PUC jurisdictional utilities, right.

25 So, if we need a statewide system, if we want a

1 statewide system, then we have to set up a structure to  
2 do this on a statewide basis.

3 And then also just to note that the PUC staff  
4 are currently working on revamping the availability of  
5 data, as Andrew said, for investor-owned utility data.  
6 And we're using the working name of California Energy  
7 Efficiency Statistics. And our plan is to have that  
8 rolled out as a publicly available data source towards  
9 the end of the year, so just to let you know that.

10 COMMISSIONER MC ALLISTER: One of the other  
11 things kind of worth talking about is process, okay.  
12 So, and the California Solar Initiative Database really  
13 did start with a Public Utilities Commission effort to  
14 align the investor-owned utilities, as the program  
15 administrators of that program, to utilize one resource  
16 for applications for solar incentives.

17 And so we had the advantage there. And I was  
18 actually on the administrator side, working down in San  
19 Diego with CCSU as one of the administrators.

20 You know, in fact, I mean we wrote, managed, did  
21 the RFP and wrote that first contract to get that  
22 database going.

23 And so, you know, warts and all, like I'm very  
24 familiar with that process. And it wasn't an easy  
25 process. And the quarterly public forums, where all the

1 stakeholders came in the room and took potshots at that  
2 resource went on for a couple of years before the data  
3 really became -- so before we sort of really saw what  
4 needed to be fixed and like, you know, got it all fixed,  
5 right, and got the data quality up to a level where it  
6 was actually useful for analysis.

7           And it took a while. It took a lot of people in  
8 the room, and it took a lot of their good ideas and a  
9 serious amount of sweat to get it all done.

10           So, it's not easy and that database is, I think,  
11 simpler than what we're going to need for energy  
12 efficiency. So, it's not a trivial lift, is what I'm  
13 saying.

14           And it also, like Simon said, it would need to  
15 be statewide. It really needs to be statewide so the --  
16 you know, the majority of the publicly-owned utilities  
17 really need to be in the room, helping that happen as  
18 well so, again, and a slightly added level of complexity  
19 to the discussion.

20           And just to point out, for those who aren't  
21 familiar with it, there are actually two sides of the  
22 solar data. One is just the raw data, so there's -- you  
23 can go on to the California Solar Statistics website and  
24 you can download this spread sheet, like a flat data  
25 file that's got information, you know, from all the

1 systems.

2           You can also go onto that same website and do  
3 aggregated analysis and get some nice graphs for  
4 presentations, and just to get a sense of trends, or  
5 whatever.

6           And so there -- some people will want just the  
7 canned graphs, you know, and so they can look in their  
8 service territory, and their city, and their county,  
9 whatever, and sort of see what's what.

10           But others will actually want the raw data. And  
11 so both are actually really necessary and they're going  
12 to help the marketplace along, I would argue.

13           And I think what the PUC is doing is pretty  
14 exciting and, you know, I think coming to a computer  
15 screen near you here pretty soon.

16           MR. ASHUCKIAN: Gina, before you make your  
17 comment, I just want to say we are running about a half  
18 an hour behind time. And so we can either forego the  
19 break and move right in after your comment, if you want,  
20 depending on what your comment is about.

21           MS. GOODHILL ROSEN: I can make it -- it's about  
22 gaps, but I can make it at the end, if that's more  
23 helpful.

24           MR. ASHUCKIAN: If it's about gaps, it might be  
25 pertinent to do that at the end.

1 MS. GOODHILL ROSEN: Okay, I'll do it at the  
2 end.

3 COMMISSIONER MC ALLISTER: And we've been  
4 talking a lot about data, and that's partly just because  
5 I like to drone on about it. But I mean I really think  
6 it's important.

7 But we could also just kind of forego, you know,  
8 additional data discussion for public comment at the end  
9 of today, and written comments.

10 MR. ASHUCKIAN: So, I'd like to get some data  
11 from you on whether we need to take a break or not?

12 So, if folks need to have a break, I'd say let's  
13 make it a three-minute break and we'll jump right back  
14 into this as soon as we can. Three minutes.

15 (Off the record at 10:45 a.m.)

16 (Resume at 10:50 a.m.)

17 MR. ASHUCKIAN: Okay, if we could get started  
18 again.

19 MS. COLLOPY: Okay, we're going to go ahead and  
20 get started again for this morning, after this first  
21 break.

22 The first area we are going to talk about today  
23 is the voluntary pathway number I, creating multiple  
24 pathways for residential property owners.

25 The Energy Commission, as I mentioned before, we

1 piloted many different project, single-family and multi-  
2 family pilots with our partners all over the State,  
3 including the investor-owned utilities and local  
4 government partners, including down here in Fresno.

5 Lessons learned from ARRA is that whole house  
6 upgrades are not necessarily for everyone. There really  
7 needs to be a broader choice of pathways for single-  
8 family homeowners and for multi-family homeowners, as  
9 well, and tenants, to capture all the lost opportunities  
10 that are out there to achieve energy efficiency.

11 There's valuable opportunities to add efficiency  
12 measures at various points in the life of a building.  
13 And we're going to need all pathways to comply with the  
14 standards for alterations.

15 Again, so critical that our partners are  
16 harmonizing program offerings, including quality  
17 assurance and the ongoing evaluations of our programs,  
18 that we share that information.

19 Multiple pathways are needed to provide on ramps  
20 for homeowners or building owners to pursue deeper  
21 upgrades over time.

22 Or if a homeowner has started doing energy  
23 efficiency, it's really to get them back on path to  
24 create a plan for deeper energy efficiency in their  
25 building.

1           We recognize the lost opportunities that are  
2 going on every day with existing building alternations.  
3 Each of those alternations represents a touch point for  
4 providing education and information on energy efficiency  
5 and the opportunity to influence a project's scope, and  
6 to capture all of those energy savings opportunities.

7           In the Action Plan we are really calling for  
8 this multiple pathway, really to start with the single  
9 measures. Get owners to install energy efficiency when  
10 they're changing out equipment or doing a home  
11 improvement project.

12           Or the next would be really encouraging multiple  
13 measures. So if someone is doing an HVAC change-out,  
14 getting them to do something else like insulation,  
15 tightening the envelope, something like that, doing  
16 more.

17           And then the third pathway up is that whole  
18 building pathway. That's something that we've been  
19 doing, as I mentioned, over the last few years, looking  
20 at the house as a system to create efficiency in your  
21 home.

22           And then last is to really go beyond efficiency.  
23 And if folks have already done all the deep retrofits to  
24 perhaps get them to look at renewables.

25           In the Action Plan for the voluntary pathway I



1    there is really one strategy out there and that is to  
2    create the easy access to different energy efficiency  
3    pathways for every building owner or tenant.

4           There's seven key initiatives under this  
5    strategy and the first is use information, such as EM&V  
6    outcomes and other outcomes from programs to guide  
7    program changes, expansions, and enhancements, and to  
8    persuade building owners to make energy efficiency  
9    improvements when they're changing something in their  
10   home.

11           Expand energy efficiency upgrade opportunities  
12   when the decision maker is ready and able to make that  
13   decision.

14           Adapt programs to allow multiple pathways of  
15   participation, including the single measures, the  
16   multiple measures, the whole building or doing self-  
17   generation.

18           Educate contractors on all energy efficiency  
19   program offerings, including integrated demand side  
20   management related activities, and having a really good  
21   understanding of how to even finance these projects that  
22   are going on.

23           The fifth initiative is to continue to revise  
24   the Energy Upgrade California Program, the Home Upgrade  
25   Program, and the multi-family pilots to enhance public

1 offerings, remove barriers to building owners and tenant  
2 participation, and improve quality assurance, contractor  
3 performance, and customer satisfaction.

4           The sixth is to conduct effective and minimally  
5 invasive quality assurance, to provide confident that  
6 the installation was done with quality, and the  
7 requirements were fulfilled.

8           And, ultimately, it really is to have that  
9 customer satisfaction.

10           Lastly, it is conducting ongoing program  
11 assessments, including collection of project data, which  
12 we talked a lot about yesterday and again today. And  
13 compare predicted versus achieved savings, and report  
14 the performance metrics and outcomes regulatory. And  
15 that's going to all be part of our data discussion.

16           So, that is the last initiative under the  
17 voluntary pathway I and we are open to comments at this  
18 time.

19           Again, please introduce yourself and bring a  
20 business card down to our court reporter.

21           MS. ADOLF: Hi, I'm tiger Adolf with the  
22 Building Performance Institute.

23           I saw a notice this morning that Jan Berman from  
24 PG&E has been elected to the Chair of the Board of  
25 Directors for the Consortium for Energy Efficiency,

1    which is phenomenal leadership, and I'd like to  
2    congratulate her on that.

3           But seeing the story reminded me of a story that  
4    Jan told at the Utility Energy Forum last May, just  
5    about a month ago, about making the right decision.

6           And one of her staff members had been in a  
7    situation where she had a trigger point. The hot water  
8    heater went out when she had a new baby in the house.  
9    And she knew the right decision to make. She absolutely  
10   knew what kind of hot water heater she needed and she  
11   could not get it. It was not available retail.

12          And that would be something that you could  
13   address. Outside the box, Commissioner, you asked for,  
14   make sure that the stores, the big box stores, the  
15   manufacturers, the retailers stock the high-efficiency  
16   appliances that we need.

17          In fact, you could go so far as to maybe mandate  
18   that only high-efficiency appliances be stocked at all.  
19   And that would be a huge step, whether it's furnaces, or  
20   water heaters or, you know, even stoves and  
21   refrigerators. Make sure that they meet at least the  
22   Energy Star requirements. You've done really well with  
23   that with TVs.

24          The other thing that you could do, one of the  
25   barriers that's always cited for residential is the

1 health and safety testing. Contractors don't want to  
2 mess with health and safety testing.

3           So, mandate that all of those high-efficiency  
4 furnaces and water heaters be sealed combustion. It's  
5 not that they can't be installed wrong, but the  
6 likelihood is a lot less. You eliminate a lot of the  
7 testing requirements and very, very few construction  
8 situations are such that it's not simple to install  
9 those. And I think Rick would support that.

10           But, you know, there are situations and you  
11 could make exceptions for it, but that would be a great  
12 way to go.

13           And the incremental cost of going with the high-  
14 efficiency appliance over the life savings of the  
15 appliances from the utility savings, it's minimal impact  
16 to the homeowner.

17           COMMISSIONER MC ALLISTER: So, just a quick  
18 response. So, you know, totally respect your intention  
19 there on those sorts of requirements.

20           I guess on larger appliances, like HVAC units,  
21 like water heaters, and unlike TVs, at least when we  
22 passed the TV regs, we are actually preempted in a lot  
23 of important ways by the Department of Energy.

24           Once they have established standards on an  
25 appliance, then we are preempted from actually doing

1 anything stricter than that.

2           So, on water heaters, for example, we can't bar  
3 a water heater that meets the Federal requirements from  
4 the California marketplace.

5           So, which is not to say that we can't do  
6 something in that realm, it's just our hands are a  
7 little bit tied on what we can require, and similarly  
8 with HVAC units.

9           And so I think there actually is a robust  
10 discussion going on between several of the key states  
11 and the Federal government on trying to get them to move  
12 forward more aggressively on their standards. And so  
13 that's one area where we're trying to kind of attack  
14 that.

15           MS. ADOLF: Absolutely.

16           COMMISSIONER MC ALLISTER: But, you know,  
17 getting -- helping the marketplace move towards, you  
18 know, certainly availability of high-efficiency motors  
19 and drives, and appliances systemically in the  
20 marketplace, so that when somebody wants to get one,  
21 they can get one that's -- you know, that's exactly --  
22 your illustration is great because I think the situation  
23 right -- that situation, where the water heater went  
24 out, they really needed it.

25           You know, you could say first day of summer HVAC

1 unit goes out, whatever. Those sorts of emergency and  
2 kind of reactive installs are exactly the kind that  
3 we're missing if we focus only on whole house.

4 And so it's not that whole house isn't  
5 important, obviously, it's that we need -- that's a huge  
6 opportunity. Even the person -- I mean it's a sad  
7 commentary, right, even the person who knew what they  
8 should do couldn't get it done because the marketplace  
9 wasn't supporting their decision.

10 So how do we then -- let's assume that person  
11 didn't know what they should be doing? Like how can we  
12 create a culture, a culture really, so that  
13 contractor -- so they called the contractor, I need a  
14 water heater. And that contractor was in a position to  
15 say, you know what, you really ought to -- you know,  
16 this is a prime opportunity for you to get a really  
17 efficient water heater, and I've got one on my truck,  
18 you know, I've got one in my warehouse that I can bring  
19 over. I can go get one and install it.

20 You know, it's only going to cost you a couple  
21 of hundred dollars more and you're going to -- you know,  
22 it's a slam dunk.

23 And like that contractor would actually take  
24 that message to the customer and the customer -- and/or  
25 the customer could be demanding it.

1           Like that's the kind of handshake that has to  
2 happen along the line for us to grow this endeavor.

3           So, how do we do that? Like we really need to  
4 be able to -- I'd love to be able to spell that out and  
5 do some concrete initiatives to help that take place and  
6 so -- and utilize that experience so that when that  
7 customer, a couple of years down the road, is upgrading  
8 their kitchen because they have another kid, and now  
9 they're going crazy because their kitchen needs  
10 upgrading, that they see -- that they've talked to that  
11 contractor. That contractor's begun to form a  
12 relationship with them and they go, hey, you know, I  
13 want to do the best kitchen I can do.

14           So, you know, that sort of, I think, culture is  
15 really where we have to go because there is -- it's a  
16 marketplace out there. You know, most of what needs to  
17 happen we're not really in a position to mandate.

18           We've done a lot of that. I mean you've got to  
19 have fluorescent lights in the kitchen. That's moving  
20 more towards, you know, ever-increasing efficiency on  
21 the Title 24 front, and we definitely need to keep doing  
22 that.

23           But in the marketplace, helping people choose  
24 the options that are the more efficient options that --  
25 in fundamental ways it's all in their best interest, but

1 they need to understand, they need to at least have an  
2 appreciation of why they would make that decision. So,  
3 how do we transmit that.

4 MS. ADOLF: So make the easy decision the right  
5 decision and make it hard to make the wrong decision.

6 Something so far, and this is way outside the  
7 box, and probably outside your jurisdiction, but perhaps  
8 a surcharge on the less-efficient appliances that, you  
9 know, takes the form of almost a carbon tax. But it's  
10 something that they have to pay extra or work extra to  
11 get those low-efficiency appliances, to make the high-  
12 efficiency a more plum opportunity.

13 COMMISSIONER MC ALLISTER: I wonder if ARB has  
14 authority in the Scoping Plan to do that? Maybe we can  
15 lean on them, who knows.

16 MS. ADOLF: Thank you.

17 COMMISSIONER MC ALLISTER: Thanks, Tiger.

18 MR. HODGSON: Mike Hodgson with ConSol. I'm not  
19 sure if this is the right comment area, but I would like  
20 to talk about residential choices and the residential  
21 property owners.

22 We also are the program administrator for the  
23 Fresno program, currently called the Home Energy Tune-up  
24 Program, and have about two and a half years' experience  
25 here in the retrofit market.



1           The key takeaway I have from that experience is  
2 why we are successful in this program is that the  
3 homeowner is getting advice from a third party.

4           So, we're not trying to sell them something.  
5 We're a neutral third party. We represent the city and  
6 the program. And whether you put in lighting, ceiling  
7 insulation, mechanical systems, we don't care. It's the  
8 choice of the consumer.

9           The Energy Commission could add to our  
10 credibility by having a good HERS II software.

11           And I notice in this Action Plan no reference to  
12 the HERS II rulemaking. And I'm very concerned about  
13 that because you really do need to have -- you are the  
14 expert on leveling the playing field on what the energy  
15 impacts these devices have in the home.

16           And so we need that software. We need the  
17 blessing and the backing of the Energy Commission's  
18 credibility on that software.

19           We have taken what I would consider the  
20 precursor to the HERS II software and modified it for  
21 our use. And so we do have, I think, a good workable  
22 home energy report.

23           But if there actually was a level playing field,  
24 with good software and feedback to the consumer, that  
25 would make our job even easier and would also, I think,

1 increase the credibility of the program.

2 So, that's my number one comment.

3 The other comment is, and this is both for  
4 residential and small commercial, our average retrofit  
5 on the residential side is a 27 percent improvement, I  
6 think year to date, somewhere around 30 percent.

7 It's all voluntary and homeowners pick and  
8 choose.

9 Unfortunately, the deep retrofits, such as the  
10 Energy Upgrade California, are less than 5 percent of  
11 our market. And that's consumer choice. It's a  
12 difficult program to participate in and it's also  
13 expensive, and so consumers many times don't do that.

14 But our number one market barrier there is  
15 financing. So, we really need the on-bill financing.  
16 We need the credit unions to step up. We need third  
17 parties to guarantee the buy-down and the risk of these  
18 mortgages that then can integrate into HERS II software  
19 to show you're going to save so many dollars.

20 The consumer is all after the dollar. I mean it  
21 really is. If you can say, you put this widget in and  
22 you're going to save \$12, and on your mortgage it's only  
23 going to cost you another \$7, then there's positive cash  
24 flow. They get that and that's how they make their  
25 decisions.

1           So, kind of the two things I can see you being  
2   very helpful on, and one actually is Energy Commission  
3   and that's rulemaking, HERS II, when and let's close  
4   that thing down, get it done.

5           And the second is probably through the CPUC, is  
6   to help us with buy-down on risk for financing products  
7   that are in the market.

8           Thanks.

9           COMMISSIONER MC ALLISTER:   So, I just want to --  
10   a little bit of a high level.   So, I guess I'm not  
11   finding it in the final version here, but we did  
12   actually -- in a previous version we did actually call  
13   that out.

14           And I think the intent is to certainly, you  
15   know, revisit and sort of reengineer, where needed, the  
16   ratings program.   Certainly, you know, and I think it  
17   has -- I mean I think we need to really step back and  
18   say what is it that we're trying to accomplish, and what  
19   are the transaction costs of that.

20           And what is the right role of the Energy  
21   Commission in that?

22           So, you know, things have changed in the last  
23   five to ten years where there are -- there's market  
24   knowledge out there that, you know, we can help marshal.  
25   But that doesn't necessarily mean that we need to own,

1     that the Energy Commission needs to own, develop, and  
2     manage a piece of software that does something, right.

3             So, I want to step back and sort of look at all  
4     of this on the merits and say, okay, well, what is going  
5     to be the most effective structure to make sure that  
6     those tools exist, and then support that structure.

7             And so, you know, I'm kind of open to a lot of  
8     different ideas there. But, you know, again, there's  
9     lots of staff experience on this.

10            But you're right, we've brought a lot of  
11     credibility over the years of this, we have a lot of  
12     staff expertise in the Title 24 realm that's absolutely  
13     relevant for this discussion.

14            But new buildings and existing buildings are  
15     actually quite different. Those markets are actually  
16     quite different.

17            And so, you know, I hear what you're saying but  
18     also am kind of trying to step back a little bit and  
19     take a little bit of a meta view of it.

20            So, I'm probably being a little bit more obtuse  
21     than you'd like.

22            But that discussion of what is the right way to  
23     get this done in the existing building is, I think, a  
24     really key one.

25            And I want to maybe ask Bill to talk about the

1   revamping of the sort of -- what that rulemaking is, you  
2   know, timing, and what we're anticipating doing with it.

3           MR. PENNINGTON: Right. So, the Action Plan is  
4   fairly light on, you know, clarity on what the  
5   Commission intends to do related to re-looking at the  
6   HERS process.

7           But as we've said for a very long time, and this  
8   goes back to Conrad's interest as well, earlier, the  
9   Energy Commission does intend to be taking a good, solid  
10   look at the range of issues that have been raised with  
11   the HERS program, revisiting those, trying to improve  
12   the program, trying to reinvent the program to the  
13   extent that we need to be doing something different that  
14   we're currently not doing, and trying to be responsive  
15   to all these comments.

16           And our expectation is that we're going to  
17   finish the Action Plan and then that will be one of the  
18   near-term things that we'll do as a next step at the  
19   Commission.

20           COMMISSIONER MC ALLISTER: So, it would be good,  
21   Mike, if you could sort of -- I mean anybody who's  
22   interested in this, I think. You know, there have  
23   been -- so, totally see the value in having a third  
24   party, but also, you know, doing that at some scale and  
25   sort of internalizing the cost somewhere is an issue.

1           You know, it's good on a pilot level but, you  
2 know, when we really are trying to massively scale this  
3 thing up and it's some number of hundreds of dollars for  
4 HERS, and associated sort of services, where does that  
5 get internalized?

6           I mean is that a cost that is purely on the  
7 homeowner? Is it somehow subsidized by ratepayers or by  
8 some other funding?

9           I mean those are really important, pretty  
10 fundamental issues to work through.

11           And so, you know, it's fascinating to be in a  
12 building, coaching the homeowner, and I'm sure it's  
13 super effective.

14           But are there ways to use sort of third-party  
15 analytical tools, no-touch audits. You know, not  
16 actually be in the building to kind of get us moving  
17 down that path much less -- much less -- you know, with  
18 lower cost.

19           And then targeting those specific resources that  
20 you're talking about to the people who truly have  
21 already emerged as, like, I'm interested, I'm moving  
22 forward and I need this service to help me do the right  
23 project.

24           So, I think there's a sequencing there that we  
25 need to work on.

1           MR. HODGSON: And I think you should watch the  
2 Fresno program this year and next year because our goal  
3 in that program is to cut our costs by probably a factor  
4 of four.

5           COMMISSIONER MC ALLISTER: Yeah.

6           MR. HODGSON: And what you have to do is be able  
7 to get the product to the rating site, most cost-  
8 effectively as possible. Software allows us to do that.  
9 Smart Meters allow us to do that.

10          COMMISSIONER MC ALLISTER: Yeah.

11          MR. HODGSON: Sending a truck out to the  
12 jobsite, blindly, doesn't allow us to do that.

13          COMMISSIONER MC ALLISTER: Yeah.

14          MR. HODGSON: And that's the market today.

15          COMMISSIONER MC ALLISTER: Yeah.

16          MR. HODGSON: So, having that software tool,  
17 what you know what the energy use is and that it is a  
18 temperature-related energy use, meaning HVAC,  
19 potentially, now you can say, okay, according to this  
20 tool here are the five things you need to do.

21                I don't even have to walk onto the jobsite until  
22 I know there's a problem.

23          COMMISSIONER MC ALLISTER: Okay.

24          MR. HODGSON: And then I have a solution. And  
25 that's what I'm looking for is the computer background

1 or, you know, the analytical ability to do this quickly  
2 and cost-effectively.

3 COMMISSIONER MC ALLISTER: Okay.

4 MR. HODGSON: But we don't have that right now.  
5 What we have, and I'm not picking on any manufacturer,  
6 we have Lenox who has a program. Guess what we sell?  
7 We now sell mechanical units.

8 We have Owens-Corning who has a program. Guess  
9 what's sold, insulation.

10 And we have Andersen who has a program. Guess  
11 what's sold, windows, okay.

12 COMMISSIONER MC ALLISTER: Yeah.

13 MR. HODGSON: I mean I kind of get that. You  
14 know, there's a market trend here.

15 If we had a program that says you have a  
16 thousand-dollar-a-month bill and if you did these three  
17 things you could cut it to \$500, and here's what we'd  
18 recommend, and the consumer was open to that.

19 It's a third party blessing on what should be  
20 done. That's our experience in Fresno. That's why  
21 we're successful here. But we don't have the analytical  
22 tool to say here's what should be done. We're making  
23 good guesses, but I think you could produce a better  
24 tool than what we have.

25 COMMISSIONER MC ALLISTER: Well, I think that's



1 actually, I think, a critical piece of this. Like, so  
2 is the Energy Commission, itself -- would we produce a  
3 tool or would the marketplace be able to produce one  
4 that we would sort of validate, and maybe there's more  
5 than one. I mean I think that's a really interesting  
6 discussion, I think, sort of to acknowledge where we're  
7 at resource wise, and also sort of envision what this  
8 would look like at scale and try to create something  
9 that supports that, right.

10           So, I'm really actually encouraged by that and I  
11 think we need to sharpen up the Action Plan to express  
12 what we're going to do. So, certainly describe, you  
13 know, the process of going through a rulemaking on the  
14 existing system.

15           In the data section we've tried to describe  
16 these third party no-touch kind of tools that sort of  
17 provide that first cut on, you know, weather related  
18 versus plug loads, versus other kinds of things and, you  
19 know, a desire to encourage that marketplace.

20           Another thing that we're contemplating doing is  
21 creating a sort of qualification system wherein tools  
22 would be developed in the marketplace and we would  
23 assess them, and either validate them or not, or either  
24 sort of approve them for use for certain project  
25 screening or whatever.

1           So it would be nice to sort of pick through or  
2 get into a little bit more of the weeds with you and  
3 sort of other folks interested in this to see how viable  
4 you think such an approach might be for the Commission  
5 to take.

6           MR. HODGSON: Happy to be in that discussion.  
7 But to get those in the energy consulting world engaged  
8 in that discussion, we've all been talking about it for  
9 the last ten years as a HERS II rulemaking.

10          COMMISSIONER MC ALLISTER: Yeah.

11          MR. HODGSON: And I think in the Draft Action  
12 Plan there needs to be a hook to bring us back into that  
13 discussion.

14          COMMISSIONER MC ALLISTER: Okay.

15          MR. HODGSON: Because when I read this Draft  
16 Action Plan and look at it, oh, there's nothing here on  
17 the HERS II rulemaking, maybe I shouldn't participate.  
18 This is for something else.

19                 And that's not your intent, as far as I  
20 understand.

21          COMMISSIONER MC ALLISTER: Yeah, that's correct.

22          MR. HODGSON: So, maybe it's not closing the  
23 rulemaking, but at least letting those of us who are  
24 very simple minded, and key on key word searches --

25          COMMISSIONER MC ALLISTER: That's not the word I

1 would use for you, Mike.

2 MR. HODGSON: -- find that and then allow us to  
3 get into this discussion because right now I think  
4 you're missing that group.

5 COMMISSIONER MC ALLISTER: Okay, thanks.

6 MR. HODGSON: Thank you very much.

7 MR. ASPER: Conrad Asper, Efficiency First  
8 California.

9 On that point, I did want to -- as Fresno is  
10 developing this program and as we're looking at it, I do  
11 want to make sure that we're keeping in mind what the  
12 goal of the program is, which I think is to do  
13 retrofits, not to do ratings.

14 And so I think that conversion rate and what  
15 that, actually conversion rate means is really  
16 important. And I would like to see clarity and  
17 understanding, as you're developing all of this data and  
18 information, as to what -- you know, very simply, X  
19 number of ratings actually turned into jobs and the  
20 depth of those jobs.

21 That kind of information's really important so  
22 that we can assess those programs.

23 And I've heard anecdotal information about how  
24 successful the program's been, but I have not been able  
25 to get or see any real concrete data about how the

1 actual audits that you've conducted turned into actual  
2 jobs, and actual retrofits, and the depth of those  
3 retrofits.

4 So, I'd like to see that. And I think that as  
5 the Commission, you know, does reflect on the Fresno  
6 program that would be good data to have.

7 MR. ASHUCKIAN: So, Joseph, I wonder if you  
8 might want to respond to that in terms of data  
9 available. Yeah, I'm sorry to -- it seems it's critical  
10 for you to comment.

11 MR. OLDHAM: Joseph Oldham, I'm the Program  
12 Manager for the Home Energy Tune-up Program, the City of  
13 Fresno.

14 And, you know, I've talked with Conrad about  
15 this before. We submitted our report, our final report  
16 to the California Energy Commission. It had that data  
17 in it. That's a public document, it's available, people  
18 can look at it and see the depth of the retrofits that  
19 were done under the program.

20 So, I think really the issue here, you know, as  
21 Mike was bringing up, is really to get the consumer to  
22 focus in on energy efficiency as a primary objective in  
23 their home ownership.

24 And that's really what we've been trying to do  
25 with this program over the last four years that we've

1   done this work is to get homeowners to realize that  
2   there's ways that they can cut their energy costs, and  
3   that their energy costs are not a fixed cost, but are  
4   variable costs. They can actually do something about  
5   it.

6           Because when we went out into the marketplace  
7   and starting to people, doing these home audits, and the  
8   value of doing the home audit, primarily in my mind, is  
9   that one-on-one communication, that on-the-ground intel  
10   about what people are doing with their homes. How  
11   they're using their homes. What they think about in  
12   terms of energy and how it impacts their lives. That's  
13   the most important thing we need to understand today.

14           We found out very quickly that they don't trust  
15   contractors. Well, if we're going to build a -- get to  
16   scale model on a contractor delivery model, that's a  
17   problem.

18           And we're not out there telling people, oh,  
19   don't trust your contractor. Just the opposite, we're  
20   trying to find out how can we encourage these folks to  
21   trust their contractors.

22           Because they're telling us, in focus groups, we  
23   don't trust contractors. So, we're just collecting the  
24   data.

25           The local governments want to see a robust

1 contractor business in their communities. I mean that  
2 feeds our local economy, they provide jobs. They are  
3 the ones that are delivering the services. So, that's  
4 an issue and we're just relaying the information.

5 COMMISSIONER MC ALLISTER: So, I really  
6 appreciate that. So, you know, I've done a lot of field  
7 work in my day and I kind of get that. And like there's  
8 a two-way communication there, and part of it you sort  
9 of expressed, as well.

10 We need the intel from the homeowners on how  
11 they use their buildings and how they feel about this  
12 whole endeavor.

13 So, that strikes me kind of as almost a research  
14 project that ought to have some relatively finite period  
15 associated with it like, okay, so we're funding that  
16 because it's generating good value to help us design  
17 programs and figure out what we're going to do.

18 The flip side of that is it's educating -- that  
19 interaction with a third-party, you know, expert who  
20 knows how to educate that homeowner is -- okay, well,  
21 that information, that education is going to that  
22 homeowner, right.

23 And so that, how can we -- how can we do that  
24 education well, accurately, you know, in a way that's  
25 actionable for the individual in a way that's also sort

1 of efficient, and cost-effective, and doesn't require an  
2 expert to go to every single house and spend hours with  
3 the homeowner.

4 MR. ASPER: Right.

5 COMMISSIONER MC ALLISTER: I mean that's really  
6 pretty fundamental.

7 And, you know, to the -- and increase conversion  
8 rates at the same time.

9 I mean I really feel like, you know, this isn't  
10 a nut that we haven't really cracked, as it were. We're  
11 still kind of on the front end of this, and we've really  
12 got to get the cost down, and get a pipeline flowing  
13 that the contractor can make money on, and that that  
14 contractor is representing, you know, essentially the  
15 truth, right.

16 And so every contractor's going to have their  
17 flavor. We've seen that in the solar industry and other  
18 industries.

19 MR. ASPER: Right.

20 COMMISSIONER MC ALLISTER: That's okay, as long  
21 as they operate ethically and they're bringing value to  
22 the customer, if the customer pulls the trigger on that  
23 project, great. You know, we want to see more energy  
24 savings, we want to monitor that, we want to tweak as we  
25 go forward.

1           But if there's a project flow that's producing  
2 energy savings, then that's a big win for us. Even if  
3 the project's not perfect, that's still a big win, I  
4 would say.

5           MR. ASPER: That's right.

6           COMMISSIONER MC ALLISTER: So, that's kind of my  
7 opinion. Maybe three are people who disagree. But I  
8 feel like we've got to get movement. We've got to get  
9 cash flow through this business and then we have  
10 something to work with.

11           And then we can actually say, okay, guys, let's  
12 fix it and shore up here, or there, or whatever. But,  
13 you know, we've got to get this thing moving at a higher  
14 scale.

15           So, how do we do that effectively? I mean,  
16 really, all of us are looking for solutions and we want  
17 to pick out the initiatives that are really going to  
18 make that happen.

19           MR. ASPER: Well, my only comment, Commissioner,  
20 is that we're trying to figure out right now who all of  
21 the market actors are to get this education level  
22 raised. One of the key areas that we see is missing, or  
23 has been missing, has been -- and it was mentioned  
24 earlier, in fact I think Tiger mentioned it, is the  
25 engagement with the home improvement stores, the big box



1 stores, you know, the Lowe's, The Home Depots, the  
2 Orchard Supply Hardware's, you know, whatever. And even  
3 down to the small, you know, hardware store level where  
4 they're actually -- because that's where these people  
5 go, right.

6           So, if I think about how I'm going to improve my  
7 home and I don't know about a lot of programs that are  
8 out there, which most homeowners don't, where's the  
9 first place they go? Well, they go to their Home Depot,  
10 or they go to their Lowe's, and they go through the  
11 front door and they go, wow, all this stuff that I can  
12 buy, but I don't know what to buy. So, they go talk to  
13 the Home Depot guy and the Home Depot guy steers them to  
14 whatever, right.

15           So, we've engaged our local Home Depot stores.  
16 We have a pilot working here in Fresno right now, with  
17 about four stores. We're having a hard time getting off  
18 the ground with this even though we've got support from  
19 the regional manager.

20           So, I'm suggesting that if the Commission, one  
21 of the pieces, one of the key stakeholders that I would  
22 suggest you add to your Action Plan is engagement, broad  
23 engagement with the home improvement industry. They  
24 have contractors that they employ. There's a variety of  
25 other ways that get them into this game.

1           COMMISSIONER MC ALLISTER: Yeah, and they've  
2 done that with the solar industry. So, you know, some  
3 strategic partnerships have existed where you walk in,  
4 there's a solar vendor who's got a kiosk.

5           MR. ASPER: Right.

6           COMMISSIONER MC ALLISTER: And I don't actually  
7 know, I imagine since that's persisted it must be  
8 successful in some way. I haven't really debriefed on  
9 that. But it would be nice to kind of figure out what  
10 the analogs are.

11           I actually wanted to ask the real estate -- I'm  
12 sorry, I'm spacing on your name.

13           MS. SVEC: Jennifer.

14           COMMISSIONER MC ALLISTER: Jennifer, right,  
15 okay. That's what I thought it was.

16           You know, are there relationships between sort  
17 of real estate entities? I'm not aware of like, you  
18 know, the agent level, but at the industry level, or  
19 Bob, you know, with the big box stores that are kind of  
20 feeding the home improvement supply chain with  
21 equipment?

22           I mean is there other conversations there that  
23 are relevant to this discussion?

24           MR. RAYMER: There are programs that the big box  
25 stores are offering and they'll usually have one or two

1 of these a day. Some of them have a half-dozen. But on  
2 average, on a weekend, you'll see how to redo the deck,  
3 you know, from start to finish, how to do certain  
4 landscaping techniques. And they usually take a topical  
5 subject, as opposed to a specific item, and then do  
6 that, so they can get sort of the largest viewing body.

7 Of course, it's always indicating, by the way,  
8 you can buy all of this stuff here.

9 And so, as Tiger mentioned, part of the problem  
10 here is they get their stuff on a big truck and chances  
11 are their purchasing person has effectively bought, of  
12 course this is the minimum required by the Federal  
13 government, let's buy 40 of those and unload them.

14 And so, chances are if you want it, you've got  
15 to order it, but you've got to know what to order. And  
16 so it would be nice to have -- instead of just, you  
17 know, here's how to do the deck and for the best water-  
18 resistant covering you've got to also do this when the  
19 whole job's over, you need to get something that focuses  
20 in on these more topical issues relative to home  
21 improvement.

22 And, of course, HVAC and ducts are the biggie.  
23 But that's kind of how it operates now. So, they've got  
24 sort of a built-in system that could kind of be tweaked  
25 for this, so it's not like they'd be starting from

1 scratch.

2 COMMISSIONER MC ALLISTER: Well, are they doing  
3 that -- are they doing that in response to anything  
4 other than just market pressures to sell deck supplies  
5 or is there some -- you know, like I can see an  
6 opportunity in HVAC, a big one in lighting. I mean  
7 they've got these wall-to-wall LEDs now. People have no  
8 idea what the heck they're buying.

9 MR. RAYMER: The LED is one that they probably  
10 are already having something on. The HVAC, most  
11 homebuyers or homeowners are of the mind that that's too  
12 big of a -- that's not a weekend warrior job for me, I  
13 need to bring in a professional, as opposed to I'm going  
14 to knock out a window and put in a new frame and a new,  
15 you know, low E window, or whatever.

16 It depends on the issue. But the fact is this  
17 process is already kind of going and so you could -- I  
18 could see how it could easily be, I don't want to say  
19 manipulated, but sort of shifted in a direction that now  
20 incorporates, by the way, this is the minimum system  
21 that you can buy but, you know what, we've also got  
22 these. And that would be a way to kind of bring this  
23 in.

24 MS. SVEC: From the realtor's perspective, like  
25 I said, Jennifer with the California Association of

1 Realtors, I'm not sure how closely we work with the big  
2 box retailers in general.

3 I know that during the home purchasing process  
4 usually the home seller is trying to spend as little  
5 money as possible when he's trying to sell the home. We  
6 do have home inspections that generally happen. Those  
7 are voluntary that occur, and that could get a check-off  
8 list.

9 But usually, I don't know that all of that is  
10 handled by the homeowner, it depends on how serious  
11 those check-offs are as to what needs to be changed. If  
12 it's just a light bulb, obviously, they'll go down to  
13 the big box retailers.

14 I think that some of our guys, they do closing  
15 gifts, some things like that. Some of them will give  
16 them, you know, gift cards to, say, Lowe's or Home Depot  
17 and they'll provide informational materials.

18 But I don't know that we specifically facilitate  
19 sending them there.

20 COMMISSIONER MC ALLISTER: Okay, I guess, so a  
21 follow-up question would be, so in a couple of homes  
22 I've bought I think that it seems that the realtor has a  
23 network of relationships. And one of those is typically  
24 a contractor or a group of contractors that they say,  
25 okay, X, Y or Z's got to be fixed, I'm going to call my

1     guy.

2                 So, is there a relationship kind of nexus there  
3     that could be, you know, ripe for kind of at least  
4     education, or something, where those contractors could  
5     be kind of brought into this endeavor at the time of  
6     sale?

7                 MS. SVEC: Generally, our realtors don't  
8     recommend -- because we have multiple contractors, we  
9     don't like them to facilitate a specific contractor  
10    because it increases their liability if, say, that  
11    contractor doesn't perform the way that was contracted,  
12    because that's a fiduciary duty and facilitating a  
13    relationship.

14                So, usually, we recommend they give more than  
15    one option.

16                I don't know that providing education would be a  
17    problem at that point in time as to, you know, what  
18    could be done. It could probably be tied in with the  
19    home inspectors, specifically, as to what they're  
20    looking at and what improvements they could suggest on a  
21    go-forward basis within the process. That might be the  
22    most appropriate place.

23                Since a lot of first-time homebuyers,  
24    especially, or if you're buying an existing home, a lot  
25    of people ask for that.

1           And sometimes what they'll get is they'll buy a  
2 home warranty which facilitates the need for the home  
3 inspection during the sales transaction process in order  
4 to get the home warranty on a go-forward basis.

5           You could probably tie it in with the home  
6 inspectors to check of energy efficiency appliances,  
7 energy efficient, you know, light bulbs, fixtures. That  
8 would be the most appropriate place to have that done  
9 since those individuals are already evaluating the house  
10 and have that expertise, already.

11           COMMISSIONER MC ALLISTER: So, it seems, and  
12 maybe there's some local government people in the  
13 audience, maybe Joseph, or if there's some others,  
14 really what maybe drives some of that is whether or not  
15 the local building department is kind of paying  
16 attention at sale. And some of the more kind of  
17 progressive or, you know, kind of proactive, I guess  
18 you'd say, local governments seem to really have a  
19 checklist that, okay, if we're going to approve the sale  
20 in our jurisdiction, then the following conditions have  
21 to be met. And, you know, we're not going to provide  
22 the sign-off sheet until the following ten things are  
23 fixed.

24           And I don't know how common that is, but  
25 definitely, I think some jurisdictions do this. And so

1 that sort of forces some work on the house really to  
2 comply with code. Right, it's all about code  
3 compliance.

4 MS. SVEC: Well, I think it depends on what they  
5 find. Generally, what you're talking about with the  
6 check-off that's in, I believe, Berkeley, where they  
7 require you to submit paperwork with the check-off  
8 for --

9 COMMISSIONER MC ALLISTER: Yeah, and there are a  
10 few others.

11 MS. SVEC: -- for the time-of-sale energy  
12 efficiency requirements. There's a couple of other  
13 jurisdictions that also require a certain amount of  
14 efficiency be done at time of sale.

15 COMMISSIONER MC ALLISTER: I'm actually not even  
16 talking about efficiency there, I'm just talking about  
17 sort of stuff that you have to do to be able to like  
18 actually be able to move to the next step of the sale.

19 And so, you know, the RECO is in Berkeley, and  
20 others.

21 MS. SVEC: Yeah.

22 COMMISSIONER MC ALLISTER: You know, and others,  
23 Davis does that and there's some other jurisdictions  
24 that sort of say, okay, well, we're going to actually  
25 have a staff person in our building department come to



1 the house and say, okay, here are the -- you know, the  
2 water heater's not strapped properly, this isn't done.  
3 You know, there's not a grounding on one of the plugs,  
4 that kind of stuff, got to be fixed or you can't sell  
5 the house.

6 MS. SVEC: I'm actually not --

7 COMMISSIONER MC ALLISTER: You know, I'm not --

8 MS. SVEC: I'm not completely clear with that  
9 happening throughout the entire State. I think that's  
10 usually why we have home inspections happen.

11 COMMISSIONER MC ALLISTER: Yeah.

12 MS. SVEC: That whole willing buyer, willing  
13 seller, and educational point. I don't know that it's  
14 generally the building department that comes out from  
15 the local government to do that.

16 COMMISSIONER MC ALLISTER: Just to be clear, I'm  
17 not promoting that here.

18 MS. SVEC: Yeah.

19 COMMISSIONER MC ALLISTER: I'm just saying that  
20 there is -- depending on the jurisdiction, there is sort  
21 of an existing network of relationships that do touch  
22 building during their lifetimes, and upon sale for sure,  
23 and sort of what the -- you know, assuming good faith  
24 intent on everybody's part, where are the places where  
25 education and kind of, you know, a little bit of

1 prodding could make sense. That's all just sort of to  
2 understand that network and what it might look like.

3 MS. SVEC: I think time of retrofit is always  
4 sort of a natural indicator when somebody is looking to  
5 do some sort of modification to the house. Whether  
6 they're trying to add a new bathroom or they're trying  
7 to, you know, punch out a wall or redoing a kitchen  
8 those are big points in the time or the life of a home  
9 where you're having a major change.

10 Plus, that's the time when you're also getting  
11 financing to allow for that change to happen. Because  
12 generally, if you're doing a kitchen it's, you know,  
13 anywhere from \$15,000 to \$25,000. It's an appropriate  
14 time to add in this additional component if you're  
15 looking to put in, you know, the different kind of  
16 lighting fixtures, or if you're looking to add  
17 insulation, a new HVAC system. That kind of all flows  
18 in together.

19 I think usually after someone purchases a  
20 property, and they've moved in, and they've gotten used  
21 to absorbing the payments and the general carrying costs  
22 that's when they start looking how do we -- how do we  
23 change the property and more fit into what works for us.

24 So, it's usually within a couple of years after  
25 purchase.

1           So, I think that there wouldn't be, necessarily,  
2 an issue with sending sort of educational materials to  
3 homeowners. I know that the POUs do that to some  
4 degree, which does help. Where you tell someone, hey,  
5 look, you know, you're spending a thousand dollars on  
6 electricity, you know, over a two-month period. You  
7 could reduce that by reducing your plug loads or  
8 changing your HVAC.

9           And I think the utilities have that information,  
10 especially with the creation of the Smart Meter, to  
11 identify sort of where the plug loads are happening and  
12 where that deficiency is in the home.

13           COMMISSIONER MC ALLISTER: So, do you have  
14 information on that, actually, like after -- you know,  
15 in X period, in the two years after a transaction what  
16 projects tend to happen? Like is there data about that?

17           MS. SVEC: I would have to look into that. I've  
18 heard anecdotally from a lot of agencies, other  
19 interested parties to energy efficiency and other  
20 retrofits that it's usually within, you know, two to  
21 four years after purchasing a home. I think it depends  
22 on the market flow, how high the median price housing  
23 is.

24           So, if you've got really low-priced housing and  
25 people can afford it, they'll generally retrofit sooner,

1   rather than later.  If you've got really high-priced  
2   housing in an area like, say, Los Angeles, it's going to  
3   take a little bit longer for you to recover from  
4   purchasing the home before you can actually afford to do  
5   those retrofits down the line.  It may take you five to  
6   ten years to be able to afford them.

7           COMMISSIONER MC ALLISTER:  I mean one of the big  
8   questions is how do you make sure that the right  
9   information is available to the homeowner at the right  
10  moment because you've got to be there.  You know, if  
11  we're talking about a progressive efficiency, you know,  
12  that takes over time, the lifetime of the ownership of  
13  that house for that particular family or business, how  
14  do you make sure that when that person's life is -- you  
15  know, they say, okay, I'm ready to pull the trigger that  
16  they have the right resources in front of them.

17           And so I think that's really key if we can  
18  understand that market dynamic and sort of build it into  
19  the program designs that would be great.

20           MS. SVEC:  And I think this is kind of a bigger  
21  topic than we can handle today.

22           COMMISSIONER MC ALLISTER:  Yeah.  No, it is, for  
23  sure.

24           MS. SVEC:  But I think that working with the  
25  utility and the -- the utilities and the PUC will be a

1 vital component of that because they touch those  
2 consumers every month.

3 There might be a way to do it, maybe not every  
4 month, but maybe quarterly through them. There's also,  
5 I mean, obviously educational components we can help you  
6 with, but I think we'd like to be a partner in figuring  
7 out what that measure might be.

8 COMMISSIONER MC ALLISTER: Great.

9 MS. SVEC: Because I don't have an answer for  
10 you today.

11 COMMISSIONER MC ALLISTER: Yeah. No, none  
12 expected. So, I think that's good. Thank you very  
13 much. We'll move on, thanks.

14 MR. ASHUCKIAN: I just want to --

15 COMMISSIONER MC ALLISTER: Mike's been waiting  
16 for a long time, so I'm not sure.

17 MR. ASHUCKIAN: I just want to remind folks  
18 there's a lot of folks who want to make comments. This  
19 is great conversation, but we need to keep moving so  
20 that we get all these comments in.

21 COMMISSIONER MC ALLISTER: I'll turn my mic off.

22 MR. BACHAND: The lady in the blue dress was  
23 actually before me.

24 MS. GOODHILL ROSEN: This is not related to  
25 that. This was actually related to more that was up

1     there. But I think the intention of creating multiple  
2     pathways is fantastic and very needed.

3             One quick note that I wanted to put out there  
4     was just that for lower income residential homeowners,  
5     especially in regards to financing, multiple pathways  
6     can actually be really overwhelming. And too many  
7     options can be something that ends up making someone  
8     take no action at all.

9             In the Action Plan there's a word that you guys  
10    used, now I've forgotten after standing for an hour.

11            (Laughter)

12            MS. GOODHILL ROSEN: But it was something like  
13    you are going to coordinate the multiple pathways. And  
14    instead of just coordinating, I think really working to  
15    create one center, one way that people can get involved,  
16    in addition to multiple pathways.

17            A one-stop shop that we talked about in the  
18    past, really, for lower-income people will make that  
19    something that they're able to do because most people  
20    don't have time to research a hundred different options.

21            So, that's my only point on that.

22            COMMISSIONER MC ALLISTER: So, are you talking  
23    about low-income homeowners or --

24            MS. GOODHILL ROSEN: Yeah, I mean it's funny  
25    because when this discussion started we were talking

1 about multi-family affordable housing, and this is  
2 clearly not that.

3 But in the course of the conversation, just even  
4 for a regular person too many options can be confusing.  
5 It really leads to inaction.

6 I mean when I say low income, I'm even talking  
7 about like middle income, like myself, like my boss, the  
8 people who work at Global Green. It can get really  
9 complicated.

10 And so just for everyone, too many options can  
11 become overwhelming.

12 MR. ASHUCKIAN: Mike.

13 COMMISSIONER MC ALLISTER: Mike, you've been  
14 standing there.

15 MR. BACHAND: Thank you, Commissioner. Mike  
16 Bachand from CalCERTS, I want to thank you guys for  
17 having these really critical meetings, we really  
18 appreciate it.

19 In private industry it's really great to know  
20 what's going on inside your mind, to the best that we  
21 can find that out.

22 So, I wanted to -- there's been a lot of water  
23 under the bridge and lively discussion. I wanted to  
24 pick back up on a little bit of what Mike Hodgson said  
25 about the HERS II involvement and so forth and,

1 naturally, that's my perspective.

2 I can tell you it's been a difficult process in  
3 working on the whole house rater, the whole process,  
4 itself. It's been a two-year, since early July for us  
5 when we were approved, but it was a year to get  
6 approved. And work at Commission started in 2007 on  
7 building performance contracting and the whole concept  
8 of house-as-a-system and so forth.

9 We understand that's not the only pathway we've  
10 got, we need lots of pathways. But all of that effort  
11 and all of that skill has developed and has brought to  
12 market 300 whole house raters, who are an available  
13 asset right now.

14 Now, they may need to be retrained to follow  
15 different pathways. I know this is not the HERS II  
16 hearings and possible rulemakings and things that you're  
17 contemplating, but I do think that it's important to  
18 remember that resource is there, it's developed, it's  
19 ready. It's hungry and ready to go to work, and does a  
20 good job given the proper opportunity and the proper  
21 training, and so forth.

22 And I would like to throw in with that the  
23 discussion about the tools and the software. We're in a  
24 collaborative world, now. It's like you said, in your  
25 own comments earlier today, the last five years have



1 changed the world and so it is a collaborative process.

2           And I would like the Commission to try to keep  
3 in mind that as you develop tools they should have  
4 different perspectives and different ways to work, but  
5 they should have enough commonality so that they point  
6 the data back, and point the information, whichever type  
7 of information they're doing, might be low-level  
8 information, it might be high-level, it might be very  
9 detailed, whatever, that that information be focused  
10 from each of those tools in a way that it can be put  
11 together, rather than incremented and fragmented.

12           That's my recommendations and thanks for the  
13 opportunity to talk to you.

14           COMMISSIONER MC ALLISTER: Thank you. And it  
15 would be great if you could sort of, in written comments  
16 or in the proceeding going forward, you know, put your  
17 ideas on how that would look in as much sort of detail  
18 as you're comfortable with.

19           MR. BACHAND: Certainly. We will be submitting  
20 comments.

21           COMMISSIONER MC ALLISTER: Great.

22           MR. BACHAND: Thank you.

23           MR. WISEMAN: Hi, my name's Bob Wiseman, with  
24 the Institute of Heating and Air Conditioning  
25 Industries, IHACI. I'm also a C-20 contractor in the

1 State, just so for clarification.

2 But I wanted to mention a couple things. First,  
3 regarding the big box stores, it's important to remember  
4 that within our industry, within the big box stores,  
5 they are actually competing in our industry because they  
6 actually are selling, actively, heating and air  
7 conditioning systems.

8 So, anything that we do in those stores, of  
9 course, is going to benefit, you know, directly those  
10 contractors or manufacturers who are actually selling in  
11 those stores. So, we do have a bit of a competitive  
12 issue there.

13 I'm not saying it couldn't be gotten around, but  
14 they do actually sell equipment.

15 COMMISSIONER MC ALLISTER: And they sell certain  
16 equipment and not other equipment is what you're saying?

17 MR. WISEMAN: Yes, they do. They make national  
18 deals with certain manufacturers, Trane being the  
19 largest of them, to have contractors sitting in those  
20 stores reselling Trane equipment in those stores. So,  
21 it's something to keep in mind.

22 You know, as well, I wanted to echo the comments  
23 that I've heard about the tracking of equipment. You  
24 know, we have spent a lot of times, you know, over the  
25 last many years thinking about ways to be able to do

1 this, to be able to help, you know, level the playing  
2 field for this industry. And help, you know, get some  
3 compliance within this industry. And it's been a very  
4 difficult challenge.

5 One of the things that we've, you know, come to  
6 believe is that this is the way to do it. You know,  
7 IHACI is a strong supporter of serial number tracking  
8 and we have been for many years.

9 I actually heard the comment a little while ago  
10 that it's actually a stick to contractors, something to  
11 kind of kick us to get us to do the right thing.

12 And I want to assure you it is not a stick. It  
13 is a carrot to a contractor. Because there's nothing a  
14 contractor wants more than a level playing field and  
15 that's to know that our competition is all doing the  
16 right thing, doing the same thing.

17 And then, of course, there's competition to sell  
18 different equipment and do different things.

19 But contractors truly want a level playing  
20 field. Every meeting we've had, IHACI, we get 95 to 100  
21 percent agreement that serial number tracking is the way  
22 to enforcement of the codes, and Title 24 and,  
23 ultimately, to achieve the energy savings that the  
24 State's looking for.

25 So, thank you very much. And since this is my

1 first time up here, thank you, everybody, for doing all  
2 of the hard work here. Thank you.

3 COMMISSIONER MC ALLISTER: You're the one out  
4 their doing installs, man, that's what we want.

5 (Laughter)

6 MR. ASHUCKIAN: Okay, we have one comment on the  
7 web. And we are running late, again, so let's try to  
8 keep the comments short and we'll move on to property  
9 valuation after that comment.

10 MR. JENSEN: George Nesbitt, please go ahead.  
11 George Nesbitt, are you there?

12 Okay, George, I had you muted. Sorry, go ahead.

13 MR. NESBITT: Okay, you can hear me now?

14 MR. JENSEN: Yep.

15 MR. NESBITT: Okay, George Nesbitt, I'm a HERS  
16 rater. Just would like to echo on both Mike's comments  
17 about HERS rating system. We have an incredible  
18 infrastructure and the third-party rating kind of advice  
19 can be a very powerful entryway for people.

20 There's a lot of opportunities, whether it's  
21 time of sale, because people often buy a house and they  
22 do improvements right away. You can tie in with  
23 financing, energy-efficiency mortgage.

24 A lot of jurisdictions are actually requiring  
25 HERS to, and/or three green rating ordinances,

1 essentially requiring some form of a rating or an  
2 improvement.

3           So, you know, remodeling triggers, additional  
4 triggers. A little bit harder is, I think, the one-off  
5 sort of window, or insulation, HVAC change-out kind of  
6 trigger.

7           But I think if people had a rating, an audit,  
8 and assessments before they actually have their water  
9 heater fail, or their furnace, they might have a plan in  
10 place for making the right choice.

11           I definitely have to also agree with Tiger Adolf  
12 that sometimes you can make the right choice but  
13 especially if it's in a hurry, if that equipment's not  
14 available it's not going to happen.

15           And just to echo what I said yesterday, we need  
16 to stop rebating single measure items that are  
17 installation dependent.

18           We've got to bring those into Energy Upgrade  
19 California with standards requirements, verification,  
20 sort of the next level up is people doing multiple  
21 measures and, of course, whole house ideal, but  
22 definitely less of a market.

23           There's a lot of work going on, single measure,  
24 multiple measure, additions, remodels. We're definitely  
25 saving energy -- well, maybe not always, but there's

1 certainly a lot of projects that are saving energy, but  
2 they're not necessarily achieving what they could  
3 because they don't necessarily have the full  
4 understanding of the house, that it is a system.

5 Various measures are not getting designed or  
6 installed right and, therefore, we are not achieving  
7 what we need.

8 So, you know, we're going to have to do  
9 mandatory through codes, standards, but it's still going  
10 to take a lot of education and a lot of enforcement to  
11 actually achieve it, so thanks.

12 MR. ASHUCKIAN: Okay, thank you.

13 Okay, Bill Pennington.

14 MR. PENNINGTON: Good morning, I'm Bill  
15 Pennington. I'm going to be talking about the voluntary  
16 pathway strategy V, which is energy efficiency through  
17 property valuation.

18 The next slide, so this is a graphic that was  
19 borrowed from a consultant's report to the New England  
20 States, the northeastern states. A lot of people view  
21 the northeastern states as actually moving ahead of  
22 California on energy efficiency programs, and they done  
23 quite a bit related to this topic.

24 In general, the strategy for this chapter and  
25 the Draft Action Plan is achieve market transformation

1 by incorporating energy efficiency performance into  
2 property valuation and appraisal processes.

3 This graphic shows the expectation that if  
4 energy efficiency is included in building appraisals,  
5 those appraisals will establish recognized property  
6 value that will be useful to consumers and the real  
7 estate process as a whole to increase the marketability  
8 of energy-efficient buildings.

9 And as a result market forces will -- are  
10 expected to encourage the energy efficiency of less  
11 energy-efficient buildings to be improved. So that the  
12 value of those improved properties can also benefit from  
13 the market recognition, resulting in the energy  
14 efficiency of all housing. All buildings, actually,  
15 this applies to nonresidential buildings as well getting  
16 improved.

17 Currently, energy efficiency is largely missing  
18 from the property valuation process, particularly for  
19 residential properties. I guess you can argue that  
20 income properties do consider energy bills in the  
21 process of determining profit, and the value.

22 But for properties that are not income  
23 properties, energy efficiency is largely left out.

24 And even for income-producing properties, it's  
25 the business value of the building that is being valued

1    there, rather than the inherent energy-efficiency  
2    features, the capital assets that are in those  
3    buildings.

4           And so you can say that even in that situation  
5    the energy efficiency of the buildings is largely left  
6    out of the property valuation process.

7           No systematic recognition of energy efficiency  
8    upgrades. This is capital assets.

9           If this market gap was corrected, the inherent  
10   added value of energy efficiency upgrades to drive down  
11   energy bills over the lifetime of the building would  
12   become recognized.

13          In a properly functioning market, a competitive  
14   advantage would be realized by buildings with capital  
15   assets from energy efficiency upgrades.

16          As a result, investment by the building owner in  
17   energy efficiency would get rewarded and that investment  
18   would be appropriately returned. Maybe not all of it,  
19   it's hard to tell how much of it. But some of it would  
20   be returned when the property is sold.

21          And as a result, it would become included in the  
22   mainstream appraisal process and would get encouraged in  
23   the marketplace.

24          For energy efficiency to be included in property  
25   valuation there needs to be a means to cross-compare the



1 energy efficiency improvements in buildings. This  
2 requires the establishment of a systematic, reliable and  
3 objective way to measure and rate the unique combination  
4 of energy efficiency assets in the building.

5 And actually what you need is something that can  
6 look at the variety of improvements that have been made,  
7 and the integration of those, and interaction of those  
8 improvements.

9 And simply having an approach that recognized  
10 certain kinds of measures is incomplete and won't really  
11 give you a good assessment of the relative energy  
12 efficiency of that building.

13 So, the technique, the measure of this needs to  
14 be sophisticated enough to give you an overall rating of  
15 the energy efficiency.

16 The measurement and rating approach needs to be  
17 designed for accuracy and for ease of use. And the  
18 process needs to be supported by standardized tools and  
19 information.

20 It needs to be widely accepted, well understood,  
21 and be integrated into the market transactions where  
22 property value is established and used.

23 So, it can't be something outside of that  
24 process. It needs to be well integrated and meshed with  
25 the process.

1           Its success depends on its systematic adoption  
2 into the performance appraisal process.

3           To cause such a process to be widely in effect  
4 in California, it's critical to gain the insight and  
5 support of key market actors. Those market actors are  
6 shown on the screen here.

7           Particularly important for appraisers, the home  
8 inspectors were mentioned earlier in our discussions  
9 today. Their role could be very important.

10          Building inspectors on the commercial side, as a  
11 counterpart, are very important.

12          The incorporation of the information into  
13 multiple listing systems and for operators to be willing  
14 to incorporate that information, and users of the MLS  
15 systems to recognize that information is going to be  
16 very important.

17          It would be important for lenders to be aware of  
18 it and to factor it into their decisions. And real  
19 estate agents can have a major role in making this  
20 happen and making that information well known to all the  
21 parties in transactions.

22          So, again, meshing well with existing processes  
23 that are there now in the marketplace is critical.  
24 Again, this can't be some outside thing. It can't be  
25 some contradictory thing. It can't add, you know, a

1 bunch of extra work that kind of doesn't benefit the  
2 market actors. It needs to be well integrated.

3           So there's going to need to be extensive  
4 collaboration with these market actors, and also with  
5 other stakeholders to design a system that will actually  
6 work well in getting energy efficiency into the property  
7 valuation process.

8           So, it would be anticipated that there would  
9 need to be a lot of engagement at the outside to  
10 establish this system so that it was well functioning.  
11 And that would be, you know, step one in getting it  
12 done.

13           But after that we need to be engaging with those  
14 key market actors and getting their active endorsement  
15 of inclusion in their processes. And I don't know,  
16 maybe that forms -- you know, maybe there needs to be  
17 agreements with these various industry components about  
18 how they would do it.

19           And we need to actively seek their feedback and  
20 refine the processes to work for them, and to then get  
21 into a pilot process where we're testing this out. How  
22 is it working? You know, what things are not working as  
23 well as they should be? How do we need to make  
24 improvements to that to respond from concerns from the  
25 market actors and concerns for the other people in the

1 transactions about the value?

2           So, we expect a lot of feedback and a lot of  
3 opportunity to refine the approaches so that they would  
4 be better ready for prime time once that piloting was  
5 done.

6           So, that's in general what this chapter has  
7 covered. There's the key initiatives at the back of the  
8 chapter which are hitting the highlights of this, that  
9 I'm not going to go over again but, basically, that's  
10 the intent of the chapter was.

11           And thank you.

12           MS. COLLOPY: We're opening this up to questions  
13 or comments for energy efficiency in property valuation.  
14 We'll start with the room and then we will move to the  
15 WebEx.

16           MR. RAYMER: Yes, Bob Raymer with the California  
17 Building Industry Association. We agree with everything  
18 you've said.

19           But I'm looking at my experience in this from  
20 new construction perspective, as opposed to retrofit.  
21 But the concerns that I have is even with new  
22 construction.

23           About 18 months ago we had a case where a  
24 builder was building new units, about half of them had  
25 the 30 percent increase in energy efficiency in order to

1 get the highest level of New Solar Home funding.

2           So, they had about two and a half kilowatts of  
3 solar on the roof and, of course, a 30 percent  
4 differential above and beyond the minimum energy  
5 efficiency standards.

6           And they weren't given any increased valuation  
7 compared to the homes that had none of this. And that's  
8 for new construction.

9           And so what made me understand how bad off this  
10 is right now, this was in Davis. You know, this wasn't  
11 in Irvine. This was Davis where this was happening.

12           MR. ASHUCKIAN: A quick question. When you say  
13 they weren't given any more value, I mean it wouldn't be  
14 the building who would --

15           MR. RAYMER: No, no, for the appraiser on this.

16           MR. ASHUCKIAN: Okay, the appraiser.

17           MR. RAYMER: Yes.

18           MR. ASHUCKIAN: Okay.

19           MR. RAYMER: And it was extraordinary because I  
20 understand and we've had discussions with the Energy  
21 Commission and the lenders for decades, where we wanted  
22 the lenders as we'd go from the 1992 to the 1995  
23 regulations, we'd like to get some type of  
24 acknowledgement that your utility bill's going to be  
25 lower, your buying value is going to be increased. The

1 same applies to retrofit.

2 COMMISSIONER MC ALLISTER: So, Bob, let me just  
3 kind of --

4 MR. RAYMER: Yeah.

5 COMMISSIONER MC ALLISTER: So, the buyer wanted  
6 to buy this house at a somewhat heightened price, taking  
7 into account -- or whatever, that there was an offer on  
8 the table and it didn't appraise is what you're saying  
9 or --

10 MR. RAYMER: There were buyers. As with a lot  
11 of production housing, you'll get buyers who basically  
12 want a third party to come in and appraise things and  
13 take a look at it.

14 COMMISSIONER MC ALLISTER: Yeah.

15 MR. RAYMER: And the appraiser was looking at  
16 both sets of houses that were in and around the same  
17 general area, and they got zero increased value for the  
18 two and a half kilowatts on the roof, and the 30 percent  
19 increase.

20 Now, as with the lending institutions, they've  
21 always said we'd love to do this, we've got some Federal  
22 programs or whatever, but California's always kind of a  
23 different beast because you're way ahead of the rest of  
24 the country in terms of new construction.

25 What they wanted is they wanted a very precise,

1 and very predictable, and assured way of determining  
2 just how much is that monthly utility bill going to go  
3 lower? And it's really hard to do that.

4 At the same time, there's an intuitive value  
5 that, you know, if I am going 30 to 40 percent above the  
6 minimum energy efficiency standards, by nature I'm going  
7 to have more buying capability than the person that buys  
8 the home that just barely meets code.

9 And so, to me, there's sort of a desire on the  
10 part of the appraisers and the lending institutions not  
11 to really get too aggressive in this.

12 And we've seen cases over the last 20 years  
13 where we've actually had to pursue legislation,  
14 successfully I might add, where at least your appraiser  
15 for tax valuation so that they won't include the  
16 structural upgrades, the seismic upgrades, the fire  
17 protection upgrades that you may be doing.

18 We've gotten those at various times exempt from  
19 property valuation.

20 So this can be done, it's just the appraisers  
21 are kind of removed from all of this and we need to kind  
22 of get them energized and happily working in concert  
23 with this, as opposed to being completely indifferent to  
24 the process.

25 So, just I'm kind of venting here. But if we

1     could get this changed that could be a dynamic that  
2     could really get this snowballing. Thank you.

3             MR. ASPER: Conrad Asper, Efficiency First  
4     California.

5             Just, I guess, kind of a question on this. It  
6     does seem that that's very important and I think  
7     California has been trying to look into how we could  
8     figure out a way to get a rating system or a property  
9     valuation.

10            It seems like nationally there is something  
11    called the Home Energy Score, which is developing and  
12    something that should be looked into, I think, and not  
13    reinvent the wheel there.

14            I think there's -- I don't know, I've looked  
15    into it enough to think there is some granularity there  
16    that is sufficient, but I don't know what the Commission  
17    thinks on that. I know you're definitely aware of what  
18    DOE is working on there.

19            And, you know, I think we've been distracted by  
20    having a system in California that requires us to not be  
21    able to maybe pilot some of these things because the CEC  
22    doesn't recognize them, because of regulations.

23            And if we could open those up to be able to  
24    pilot some of these things, maybe that granularity is  
25    enough and that could be a cost-effective approach to



1 this type of property valuation.

2 MR. PENNINGTON: So, that clearly needs to be  
3 part of the HERS rulemaking or, you know, the HERS  
4 proceeding that we have is to take a look at should  
5 there be alignment, better alignment with other things  
6 that are going on nationally?

7 Home Energy Score is an example. On the new  
8 building side, you know, the DOE Builders Challenge  
9 approach is kind of growing in other states. And it  
10 will be interesting to see how we might mesh those.

11 I think we do want to have ratings across the  
12 whole population of buildings including, you know, ones  
13 that just got built, as well as ones that are there for  
14 a while.

15 So, I think there's a lot of considerations to  
16 be done and that's part of the proceeding we want to get  
17 into.

18 MR. ASPER: Thank you.

19 COMMISSIONER MC ALLISTER: And I'll just point  
20 out that, you know, the statute does require us to have  
21 a rating system, so this is something that we have to  
22 have available.

23 Now, it doesn't have to be -- you know, the  
24 statute doesn't require us to mandate that any  
25 particular rating happen at any particular time, right?

1 We want to see about the potential to do that, to use  
2 that to help drive the marketplace, right. So, really,  
3 that's got to be the overriding consideration.

4 But, yeah, so I'll -- I was in D.C. a few weeks  
5 and I actually talked with DOE. They're very interested  
6 in sort of help on figuring out what the pathway for  
7 collaboration on this is.

8 And there are some issues, definitely, you know,  
9 that we are kind of down a slightly different road than  
10 they're down, so those would need to be worked out.

11 But, you know, the work to build that tool is  
12 largely happening right in Berkeley, at LBL. So, I mean  
13 it does sort of make sense, even though it's a Federal  
14 effort.

15 So, thanks for bringing that up, I think it's  
16 good.

17 MS. SVEC: Jennifer Svec with the California  
18 Association of Realtors. Just to kind of explain why  
19 you might have a difficulty in getting certain  
20 valuations from appraisers, with the creation of AMCs,  
21 which is the appraisal management companies, there's now  
22 a removal from the real estate industry and the  
23 appraisers, themselves. They're more tied to the  
24 lenders. They don't really want to talk to the  
25 realtors. They don't really want to talk to the

1 homeowners.

2           We also run into a problem of out-of-area  
3 appraisers happening. So they'll come in, they don't  
4 actually have the local jurisdiction's knowledge base  
5 of, you know, this area is more desirable for X reason,  
6 and this one is less desirable, or the appliance changes  
7 that happen.

8           Like in Davis, you would think that you would  
9 get a higher rating or a higher valuation based on  
10 having solar. That tells me that it's probably an out-  
11 of-area appraiser that's not aware of sort of the social  
12 norms that are in that locality.

13           Not that -- in our particular situation, we  
14 think that all energy efficiency improvements should pay  
15 for themselves over the cost of their life, which is  
16 what yields that benefit that you can actually get a  
17 physical savings for and a property elevation in price  
18 for.

19           But I think that's going to be a major hurdle  
20 that we're going to have to overcome is getting through  
21 the appraisal management companies.

22           I know the CEC did a lot of work because we  
23 worked on a project to evaluate the value of solar on  
24 properties, and to provide that tool to appraisers. I  
25 just don't think they're using it.

1           They were a part of the working group, as well,  
2   to make sure that it was a tool that could be useful and  
3   could evaluate that one particular component. I'm just  
4   not a hundred percent sure it's being used statewide.  
5   In fact, I've not heard of it actually being used pretty  
6   regularly.

7           COMMISSIONER MC ALLISTER: Yeah, so I mean I  
8   guess I -- you know, I see this as a building of  
9   knowledge that at some point will permeate. You know,  
10   it has to permeate the way appraisers do their work.  
11   And so we're kind of on the front of that.

12           There have been some great, you know, a few,  
13   actually, interesting studies with statistically  
14   significant impacts of solar on property valuation in  
15   practice, out there in the field, you know, upon sales.

16           And so if that's not getting back into the  
17   appraiser community in way that's functionally being  
18   applied then I think, you know, maybe our strategies  
19   need to sort of acknowledge that and say, okay, what are  
20   we going to do? You know, what can we say should happen  
21   to make that -- to accelerate that process?

22           So, any suggestions about that would be  
23   interesting to look at.

24           MS. SVEC: Well, and we can bring the appraisers  
25   into the process.

1 COMMISSIONER MC ALLISTER: Yeah, I know.

2 MS. SVEC: I just kind of wanted to lay that out  
3 there as to what some of the hurdles that we have to  
4 overcome are.

5 COMMISSIONER MC ALLISTER: Well, also, it seems  
6 like the appraisers -- I mean it's a good thing,  
7 actually, right, that the appraisers are now separate  
8 from the transaction and the realtor. Because I mean,  
9 you know, actually, in practice or not, I the impression  
10 was during the housing bubble that they were overly cozy  
11 with the realtors, right.

12 So, you know, I think they've taken that  
13 seriously and they've separated them -- the regulation  
14 is now like, okay, thou shalt make an appraisal, you  
15 know, independent from those sorts of potential  
16 influences. And so I actually think they're taking that  
17 very seriously. And, in general, that's a good thing.

18 But that also -- and I think, you know, that is  
19 another argument for how -- you know, basically asking  
20 the question of how can we create, how can we give them  
21 the information that allows them to do it in a rigorous  
22 fashion under this structure.

23 MS. SVEC: That's the problem we face across the  
24 board.

25 COMMISSIONER MC ALLISTER: Year.

1 MS. SVEC: Even when realtors do try to present,  
2 so here's the comparable housing that's in the locality  
3 to the appraiser, sometimes the appraisers will take it  
4 and sometimes they won't.

5 COMMISSIONER MC ALLISTER: And sometimes they  
6 won't.

7 MS. SVEC: It depends on how big of a black wall  
8 there is between the two to try to increase that value  
9 or to provide additional input and information. Our  
10 guys aren't really trying to look to create a problem  
11 for appraisers.

12 COMMISSIONER MC ALLISTER: Yeah.

13 MS. SVEC: We're just trying to make sure that  
14 the sales are going through appropriately at market  
15 value.

16 Just as a quick side note, multiple listing  
17 services are privately owned.

18 COMMISSIONER MC ALLISTER: Yeah, I was about to  
19 ask about that so --

20 MS. SVEC: They do respond very well to market  
21 trends. From what I'm understanding, in a lot of our  
22 MLS's they do contain a lot of green data, especially in  
23 your more green communities, Los Angeles, San Francisco,  
24 Berkeley. They have a lot of information and data  
25 included in them.

1           Like I said, they are privately owned so they  
2 just respond to market trends. We don't really mandate  
3 on them what they do. They are sole proprietorships.  
4 There's about, between 30 and 40 of them throughout the  
5 State, so they're not all linked together.

6           COMMISSIONER MC ALLISTER: It's a franchise  
7 system or something, like they're franchised?

8           MS. SVEC: Uh-hum. They're independently owned  
9 and operated, but we have several that work in regional  
10 bases. So, you've got a regional Los Angeles version.  
11 You also have a regional Northern California version.  
12 There's a variety of them that are out there.

13           They're generally run by a couple of different  
14 administrators or data repositories I guess you would  
15 call them.

16           COMMISSIONER MC ALLISTER: Do they have a  
17 regulatory agency over them?

18           MS. SVEC: No, they're privately owned and  
19 operated. They're not regulated by the State.

20           COMMISSIONER MC ALLISTER: Interesting, okay.

21           MS. SVEC: They are a private business tool.  
22 They're really a marketing tool is what they are.

23           So, they aren't permanent resources or  
24 databases. They're only alive for a very short period  
25 of time and then the data kind of disappears, which is

1    why it's not something that you guys can use on a go-  
2    forward basis to keep property information because  
3    that's just not how it works. Not to mention it's not  
4    accessible to everybody even though some of the MLS's,  
5    like in Sacramento they have theirs available to the  
6    public via the newspaper online.

7            So, there's a variety of different uses for the  
8    multiple listing service. But like I said, I just want  
9    to reiterate the MLS is an advertising system and has  
10   been morphing, as energy efficiency has entered through  
11   the consumer marketplace, and the consumers are asking  
12   about this information. That's how it gets incorporated  
13   into the MLS's and that seems to be working.

14           MS. COLLOPY: Thank you for your comment. I  
15   just wanted to take an opportunity to go to the web. We  
16   have a few questions on the web.

17           MR. JENSEN: George Nesbitt, go ahead.

18           MR. NESBITT: Can you hear me, now?

19           MR. JENSEN: Yes, I can.

20           MR. NESBITT: I think I unmuted myself and you  
21   might have muted me at the same time, accidentally.

22           Energy efficiency absolutely has to be part of  
23   the appraisal. The whole idea of the appraisal is  
24   looking at the value of the home compared to other  
25   homes. And if it has features that other homes don't



1 have, or better features, that should lead to a higher  
2 value.

3 Like Bob, I actually have a colleague in  
4 Monterey who just had an appraisal done on her deeded  
5 affordable housing -- well, condo, essentially. And has  
6 a PV system that was installed through CSI for free, but  
7 not that that matters. But there's no valuation for the  
8 PV system as part of the value of her place.

9 Energy Commission has the SAVE calculator but,  
10 as I pointed out yesterday, we don't have the CSI data.  
11 So, even if people were using it, there isn't data that  
12 could be there to make it easier.

13 And we really actually have a process and have  
14 had a process for decades to do this, and that's the  
15 whole HERS rating system. That's how it was developed  
16 was looking at the savings of energy efficiency in  
17 homes, and looking at lower operating costs versus the  
18 costs of improvements. It works for new homes, existing  
19 homes.

20 There's, I think, a misconception that the HERS  
21 II rating system is broken. The truth is it's not been  
22 fully implemented. There is a path for home inspectors  
23 to deliver ratings which has not been implemented.

24 And the Energy Commission piloted a program for  
25 home inspectors, I believe, in the San Diego area that

1 was pretty successful.

2 Perhaps what the rating system is missing is a  
3 checklist audit. And I'd say the appraisers are not the  
4 ones probably in the position to be making  
5 determination. I would think home inspectors would be  
6 the minimum, but that they should be using that  
7 information, and that information needs to be in a way  
8 that it can be used and put into the assessment.

9 MR. ASHUCKIAN: Thank you.

10 MR. NESBITT: So, thanks.

11 MR. ASHUCKIAN: Deborah, would you state your  
12 full name?

13 MS. LITTLE: Yeah, hi, this is Deborah. I'm  
14 Deborah Little and I am a home performance consultant  
15 and appraiser, and I've worked on some of the Energy  
16 Upgrade California valuation studies in the last couple  
17 of years that have, actually, proven up some green  
18 premiums.

19 So, I've got a few comments here. First of all,  
20 I want to empathize with Bob Raymer, who spoke about the  
21 project in Davis. And these kinds of stories are being  
22 echoed throughout the country.

23 Homeowners and buildings are expressing a ton of  
24 frustration on the lack of value recognized by  
25 appraisers.

1           Right now less than one percent -- less than one  
2 percent of all real estate pros, appraisers, agents and  
3 lenders have any level of green training, or green  
4 expertise. We've got a lot of opportunity there.

5           An appraiser's job is to report the market. We  
6 aren't able to allow -- you know, we're commissioned to  
7 report what's going on out there and if we, personally,  
8 have some kind of value on any kind of features we  
9 aren't really -- it's unethical for us to allow that to  
10 influence, you know, our valuation process.

11           For example, a gold-plated swimming pool in  
12 Alaska is going to have a lot different value than in  
13 Dubai, you know.

14           So, we have some really strict ethics rules that  
15 we are called to follow. And, really, our job is to  
16 kind of confirm to the banks, to help them be  
17 responsible in their mission, which is to really ask if  
18 this house were to foreclose would there be pool of the  
19 general market, the collective market out there that  
20 would then come along and pay this price. What is the  
21 market value of the general pool in the market?

22           So, there are Federal guidelines that the  
23 lending institutions must follow in order for their  
24 securities to be insured, for the loans to be insured,  
25 and it's all based on the sales comparison approach.

1           So right now, when we have a new, colder market  
2   evolving there are -- there's very little duress market  
3   evidence and we aren't able to find it from the market.  
4   Appraisers aren't able to go out and find comparables.

5           So we need -- somehow, if the appraisers are  
6   able to be somehow empowered to use some other  
7   approaches and go beyond the sales comparison approach,  
8   that would be one thing.

9           There are several acceptable appraisal  
10   approaches, but the underwriters aren't able to use  
11   those as much. They always are coming back to ask us  
12   for the comparables because that's what they feel that  
13   they're -- I'm not even sure exactly where the line is  
14   actually drawn.

15           I know that some smaller, autonomous banks and  
16   credit unions can have a little bit more leeway or they  
17   can choose to kind of have a little more leeway. And  
18   some of them actually, a group of northwestern banks in  
19   the northwest are seeing this niche market for financing  
20   energy upgrades and kind of going after this market.

21           But I like the idea of a pilot program. I'm not  
22   sure what we could do. But if we could get a few of the  
23   stakeholders together and have some banks that find some  
24   kind of way to kind of stretch their opportunity and  
25   support some appraisers to be able to affirm value by

1 using some capitalization approaches of the energy  
2 savings.

3 And then I don't want to leave out the non-  
4 energy benefits, as well. It's kind of interesting,  
5 there's been so many studies that have affirmed the  
6 value for the non-energy benefits in the commercial  
7 realm, that those benefits regarding productivity and  
8 those kinds of things in the offices, and turnover rates  
9 in hospitals, and absentee rates in schools. All of  
10 those benefits actually add up to be so much more, in  
11 some cases a hundred times more than the financial value  
12 of the energy savings.

13 And I'm thinking, you know, with all these home  
14 offices throughout the country, just everybody's -- it's  
15 such a huge trend that we might even be able to do some  
16 studies like that, where it would actually translate to  
17 the residential market.

18 I have a few studies that I'm following  
19 regarding the health improvements in homes that have  
20 directly affected families with asthma. And they have,  
21 you know, less doctor's bills, better well-being, more  
22 school attendance, more sports involvement and that kind  
23 of thing. So, there's so much to consider.

24 MR. ASHUCKIAN: Thank you.

25 MS. LITTLE: And I think that we -- yeah, so I'm

1 going to leave it at that.

2 MS. COLLOPY: So, Deborah, we're very -- look at  
3 your chat on the WebEx. We're interested in getting  
4 your last name and also your contact information.

5 MR. ASHUCKIAN: Yeah, and I want to encourage  
6 you to provide written comments. You have some good  
7 comments there and we'd like to get the appraiser's  
8 aspect on this as well.

9 But we are running late and we have a number of  
10 more -- a few more people who need to comment on this.  
11 But thank you.

12 MR. BAKER: Great, thank you, Deborah.

13 Tiger?

14 MS. ADOLPH: Tiger Adolph, Building Performance  
15 Institute. I do want to echo what Bob said that across  
16 the nation this needs to be resolved, and it needs to be  
17 done with simple information that the consumer can  
18 understand.

19 A score is not necessarily the best way, but  
20 even if there was a way to itemize an energy upgrade  
21 completion, right, if there was a certificate that can  
22 say these are the things that have been installed, and  
23 it's been quality assurance inspected, without making  
24 any allegations as to the energy savings based on a  
25 model, or whatever. Right, this is what you have. So,

1 you can compare apples to apples. And actually having  
2 the utility bills is important.

3 A second point is around home inspectors. I'm  
4 glad to see that they're being addressed.

5 I purchased a home about a year ago and I won't  
6 say that my home inspector flat out lied to me, but I  
7 know a little bit about this stuff and he inspected the  
8 house. He came out and told me that my insulation was  
9 perfect and I had no problems in the home, and I did not  
10 need one of those stupid red blower things, actually  
11 discouraged me from any energy efficiency work.

12 In reality, I had about R-3 insulation in the  
13 attic that was poorly installed, where it was installed,  
14 over 50 percent duct leakage across both systems, and a  
15 disconnected water heater vent in the attic that was  
16 next to the master bedroom.

17 So, you know, those were pretty simple things to  
18 see, you know, big holes in the ducts and no insulation.  
19 This is not rocket science, it's just building science.

20 So, even basic principles of building science  
21 and some obligation to give the homeowner accurate  
22 information, and not discourage them from pursuing  
23 additional diagnostic information would probably be a  
24 good step in educating the home inspectors that  
25 direction.

1           COMMISSIONER MC ALLISTER: That's a great point  
2 and I'll just -- you know, I think this -- we're not  
3 going to solve this problem here today and I really want  
4 to continue this discussion because, you know, buying a  
5 house is a huge deal. And, you know, when you're going  
6 through it, as you recently did, as I recently did, most  
7 of us in this room, you know, may have bought houses at  
8 some point. I mean, you know, you're investing a huge  
9 amount of money. It's a lot to deal with, there's all  
10 sorts of disclosures and stuff. And, you know, you're  
11 having a lot of jitters just about going through with  
12 the transaction at all, right.

13           And so that -- so the idea -- you know, I think  
14 I would love to have this acknowledgement in the  
15 inspection process, the additional value acknowledged  
16 for energy efficiency and have it be transparent in the  
17 marketplace through the MLS, whatever, I think that  
18 would be -- that would go a long way.

19           You know, but I also like -- as a homebuyer I  
20 kind of want to like -- you know, I'm trying to argue  
21 the price down, right. And just the dynamic of like I'm  
22 already like at my limit of what I can invest in my  
23 house and, you know, I think there's a broader dynamic  
24 there we just need to keep in mind, right.

25           And I'm not -- you know, absolutely, I think



1 that that transparency is great, but if it's only on the  
2 upside, then that may be an issue.

3 If it's only -- you know, if the MLS only, like  
4 as a sales tool, only says, hey, you know, this is a  
5 great house, it's got a score of X, you know, and it's  
6 got all these upgrades, zero net energy, solar,  
7 whatever.

8 But that the dogs out there are not given, you  
9 know, a comparable score then, you know, that may have  
10 some issues.

11 And so, you know, and certainly this discussion  
12 needs to talk that through in an open way. Like, the  
13 real estate agents may not be, you know, down with  
14 calling out the dogs that they're trying to sell, too,  
15 right. So, I'm just surmising.

16 (Laughter)

17 COMMISSIONER MC ALLISTER: So, that's probably  
18 not the best choice of words but I'm trying to be real  
19 here, okay.

20 So, anyway, I feel like there's a lot to unpack  
21 here and I really appreciate your participation in this.  
22 It's really important to get this right.

23 So, anyway, I just wanted to make that point.

24 MR. HODGSON: Mike Hodgson, ConSol, a couple of  
25 quick points. On the residential side, Bill, there

1 actually is some good movement. The Appraisal Institute  
2 work with Freddie, Fannie, DOE and NHB, and NHB is the  
3 National Association of Homebuilders, over the last four  
4 or five years, and they released their second version of  
5 their Residential Energy Efficiency and Green Addendum.  
6 It's Form 820.04. It came out this spring.

7 And it recognizes monthly energy savings and  
8 different rating scores throughout the United States.  
9 It uses EEREZ, DOE's EEREZ HERS -- not HERS scale, HES  
10 scale, Home Energy Scale, from a zero to 10.

11 It looks at the HERS index, which is from  
12 RESNET. It wouldn't be difficult to put in a HERS II  
13 from California. I'm saying that, no facetiously,  
14 because there's a variety of scales in there, like  
15 Energy Star.

16 The group is a very solid group because it  
17 represents both government, from the regulatory side,  
18 and also lenders, and underwriters, and the Appraisal  
19 Institute.

20 So, that group is active -- pardon?

21 COMMISSIONER MC ALLISTER: What's the group that  
22 you're referring to?

23 MR. HODGSON: The Appraisal Institute.

24 COMMISSIONER MC ALLISTER: The Appraisal  
25 Institute.

1           MR. HODGSON: Yeah, the guys who write the  
2 forms. So, there is a form out there. It's a second  
3 version of the form. It is recognized by Freddie,  
4 Fannie, and FHA. So, if someone wants to try to add  
5 this value in, what we need to do is encourage them to  
6 do it.

7           If you look at the form, it looks like it was  
8 done by a committee. It's five pages, it's horrible.  
9 But I mean it's a start. So, there's some groundwork  
10 there that I think you can refer to.

11           On the commercial side, we're asked to do a lot  
12 of audits and energy analysis, either an ASHRE Level I  
13 or a Level II. And many times these requests come to us  
14 from a broker opinion of value. And what that is, you  
15 know, how much should this sell for? That's basically  
16 what a broker opinion value is on a commercial building.

17           And so they are looking at energy bills because  
18 we can document over 12 months, or 24 months, what the  
19 energy bill of that specific building type is and  
20 compare it to a national register, and then see whether  
21 or not it's on the high or the lower side.

22           And all of that comes up to net operating  
23 income. And NOI is gospel, correct, and then it  
24 determines what the market will bear for that building  
25 type, which is your capitalization rate.

1           So, there is good data and it's getting better,  
2   and people are recognizing value in more efficient  
3   buildings. And I don't know who's doing studies on it,  
4   but I'm just saying from the reality of us being asked  
5   to do work and analysis, it's what's being reflected in  
6   our work.

7           MS. CONE: Chris Cone, Efficiency First  
8   California. I just wanted to point out that during the  
9   ARRA grant period in the Bay Area, the county  
10   governments that now comprise the Bay Area Regional  
11   Energy Network conducted a real estate working group  
12   throughout the grant period.

13           They brought together appraisers, real estate  
14   agents and MLS officials to talk about all these issues,  
15   so there's a wealth of knowledge there.

16           That was administered by Built It Green.

17           Also, as I participated on that working group on  
18   behalf of Sonoma County, and we happen to have in the  
19   North Bay an MLS that's the 23rd largest in the United  
20   States. It has 22 different green measures on its list,  
21   as well as has the capacity to post HERS ratings.

22           And some of the feedback from that MLS, I  
23   interviewed the executive director as part of my  
24   process, was that they have these features but the real  
25   estate agents weren't fully utilizing them.

1           So, they had the capacity but it wasn't yet  
2 being used. So that's another issue of educating the  
3 real estate agents so that they can make that value of a  
4 property known.

5           The other cogent point was having the energy  
6 value or assessment of the efficiency as it relates to  
7 reduction of cost. That it was much preferred that that  
8 be provided by a third party who's expert in that field,  
9 and not have the real estate professionals be called  
10 upon to make a claim on behalf of the efficiency  
11 performance. Thank you.

12           MS. COLLOPY: Thank you, Chris. Did you have  
13 any reports or anything that came out of that study?

14           MS. CONE: Actually, the committee developed a  
15 guidance document for MLS's about how to implement green  
16 features. And I can provide that to you and give you a  
17 contact information for the person who facilitated that  
18 working group.

19           MS. COLLOPY: That would be great. I'd  
20 appreciate that, thank you.

21           MS. CONE: Yeah.

22           COMMISSIONER MC ALLISTER: You know, any of this  
23 stuff, any of these resources, it would be great if you  
24 could submit them to the record. Really, that would  
25 help us a lot.

1 MS. CONE: Okay.

2 COMMISSIONER MC ALLISTER: And if they're public  
3 resources, you know, no reason not to and it helps us do  
4 that.

5 MS. COLLOPY: Absolutely.

6 MR. ASHUCKIAN: All right, any more comments on  
7 property valuation?

8 Okay, that concludes our morning session and  
9 we're running a few minutes late, so let's reconvene  
10 promptly at 2:00. So that will give us a little bit,  
11 about an hour and a half so that if you want to go to a  
12 place off campus, you can have lunch. And we will start  
13 back at 2:00 promptly.

14 MS. COLLOPY: Promptly.

15 MR. ASHUCKIAN: Thank you.

16 (Off the record for the lunch break  
17 at 12:25 p.m.)

18 (Resume at 2:08 p.m.)

19 MR. ASHUCKIAN: I think we're going to get  
20 started now.

21 Bill, why don't you go ahead and talk about  
22 basic energy upgrades and disclosure of ratings.

23 MR. PENNINGTON: Okay. So, thank you. Bill  
24 Pennington, again, and I'm going to be presenting the  
25 Potential Mandatory Approach Number 2, Disclosure of

1 Ratings and Completion of Basic Energy Upgrades.

2           This strategy is on this slide, there's a lot of  
3 words here: "Evaluate the need for and feasibility of  
4 mandatory approaches for residential and nonresidential  
5 buildings. If such approaches are determined necessary,  
6 conduct a public proceeding to develop requirements for,  
7 A, mandatory disclosure of energy performance ratings  
8 and, B, mandatory completion of basic level energy  
9 efficiency upgrades."

10           The Energy Commission does not expect to move  
11 immediately to putting these mandatory approaches into  
12 place.

13           The immediate attention of AB 758 will be,  
14 necessarily, on the implementation of the no regret  
15 strategies and the voluntary pathways.

16           Only after those other strategies are proceeding  
17 well would we -- would the infrastructure be developed  
18 and the marketplace potentially ready for these  
19 mandatory approaches.

20           The Commission expects that implementation of  
21 the no regret strategies and voluntary pathways would be  
22 monitored to identify when the marketplace has reached  
23 sufficient maturity to warrant these mandatory  
24 approaches.

25           So, when California is ready to move forward

1 with these mandatory approaches there are several key  
2 concepts to consider.

3 The mandatory approaches should be designed to  
4 move California beyond what could be achieved just  
5 through voluntary approaches alone.

6 It should be designed to work in concert with  
7 the no regrets and voluntary path strategies so that we  
8 can reach the entire population of buildings.

9 In general, the voluntary pathways in particular  
10 will probably achieve some limited participation, maybe  
11 25 percent, or 30 percent of the population.

12 And so the mandatory approach does hold out the  
13 possibility that we could affect a larger number of  
14 buildings.

15 The Energy Commission will be developing these  
16 mandatory approaches in an open, public process. And we  
17 would be, first off, evaluating the benefits and  
18 downsides of a mandatory approach, and would be kind of  
19 looking at it from all angles.

20 We would need to engage all stakeholders and key  
21 market actors to have their active participation and  
22 input, and to work through, you know, what is it  
23 precisely that we would do here, and is it appropriate  
24 to be doing it.

25 The public process would consider the mandatory



1 disclosure of building energy efficiency asset ratings.  
2 And basically, conceptually, I think Commissioner  
3 McAllister mentioned it earlier today, in a different  
4 way, that in order to really have the effective use of  
5 energy efficiency ratings, you really need to have the  
6 ratings available for all the candidate buildings that  
7 you're considering the marketplace so you can cross  
8 compare.

9           And before we have that situation you could very  
10 easily have ratings for some buildings, and maybe the  
11 buildings that don't perform so well the ratings are  
12 missing, and so you really can't cross compare very  
13 well.

14           The other separate possibility here for a  
15 mandatory approach would be the mandatory requirement of  
16 basic energy efficiency upgrades. And in conducting a  
17 public process for that we would need to investigate  
18 what prudent measures would be appropriate for the bulk  
19 of our building stock.

20           And looking at that as kind of creating a new  
21 baseline, you know, you accomplish, consistently, a set  
22 of prudent measures for all buildings and that creates a  
23 new baseline above which you could have voluntary  
24 incentives for going beyond.

25           So, mandatory approaches are increasingly being

1 established throughout the world. Denmark established  
2 disclosure of mandatory asset ratings in 1997.

3 Australia established disclosure of mandatory  
4 asset ratings two years later than that.

5 The European Union directed that all member  
6 countries begin development of mandatory disclosure of  
7 both asset ratings and energy use ratings in 2003, with  
8 an expected implementation date that countries were  
9 supposed to meet, no later than 2009.

10 We're also seeing substantial interest in other  
11 parts of the country to look at municipal and state  
12 requirements in different -- you know, they're popping  
13 up, basically, for mandatory disclosure of ratings or  
14 mandatory requirements for upgrades.

15 The Draft Action Plan recommends mandatory  
16 approaches to go into effect on a date certain basis,  
17 with a glide path period of voluntary compliance.

18 To develop the details of how this works, the  
19 Energy Commission would need to, again, in an open  
20 public process, establish the mandatory requirements  
21 that would go into effect on a date certain.

22 And the proceeding would establish sufficient  
23 lead time for building owners to have some options about  
24 when they would comply with the requirements.

25 So, we would hope that we would get substantial

1 voluntary compliance before the actual date certain  
2 point arrives.

3 And during the glide path period -- or so that  
4 glide path would create a period that would allow for  
5 voluntary compliance to be actively encouraged and  
6 supported, and the infrastructure for, you know, helping  
7 to deliver that would get built, and it would give us  
8 some time to put that in place.

9 During that glide path period there would be  
10 outreach, information and technical assistance that  
11 would be actively providing. Financing and incentives  
12 would be made available to encourage compliance during  
13 that time period.

14 And the support would be made available not only  
15 to the building owners that were making decisions to  
16 voluntarily comply with these requirements, but also to  
17 the market actors that would be assisting those building  
18 owners in doing that voluntary compliance.

19 So there's been substantial input in the  
20 comments on the scoping report and, you know, just in  
21 dialogue related to the AB 758 process from stakeholders  
22 that have suggested that mandatory approaches go into  
23 effect at key trigger points in the life of buildings.

24 And those would include key or critical  
25 opportunities around financial transactions. It could

1 be change of ownership, it could be change of occupancy,  
2 it could be financing.

3 Or other trigger points, such as replacement of  
4 major equipment, or of remodeling or renovation of  
5 buildings.

6 The Draft Action Plan actually does not  
7 recommend that mandatory requirements go into effect at  
8 these trigger points but, clearly, these trigger points  
9 would be very important to the marketplace.

10 And so there should be targeting of those  
11 trigger points through incentives, financing, technical  
12 and marketing support so that during the voluntary time  
13 period we would be getting buildings that reach those  
14 trigger points to actually take the action that's  
15 desired.

16 Instead of requiring mandatory initiatives at  
17 the trigger points, the Draft Action Plan recommends,  
18 again, that the requirements go into effect with a date  
19 certain approach.

20 And basically the thinking about that is that  
21 although potentially really powerful in the marketplace  
22 to accomplish these kinds of changes at the trigger  
23 points, a relatively small number of buildings actually  
24 occur each year at those trigger points.

25 And so the idea is that by having a date certain

1 approach we could impact a broader population of  
2 buildings than just focusing in on the trigger points.

3 For example, some buildings don't sell for  
4 perhaps 20 years, you know, they sit there.

5 And perhaps in the residential sector it could  
6 be some of the most inefficient buildings that don't  
7 sell and, you know, maybe there's turnover on buildings  
8 that are more efficient. And, really, the greater  
9 energy efficiency opportunities might be available for  
10 those buildings that we're not able to affect because  
11 they're not in a transaction.

12 So, a major focal point of the proceeding would  
13 be to scope what buildings would be subject to the  
14 mandatory requirements and what would the phasing be for  
15 how would you reach all buildings in that scope by  
16 assigned date certain implementation dates.

17 It's highly likely that the public proceeding  
18 would conclude that mandatory approaches are more  
19 appropriate for some kinds of buildings than other  
20 kinds. And you may ultimately decide to rule out  
21 applying the requirements to some kinds of buildings,  
22 for example.

23 Also, it's quite likely that the proceeding  
24 would conclude that you don't want to have the  
25 requirements go into effect for all buildings at the

1 exact same time and that some phasing would make sense.

2           So, both scope and phase-in would be key aspects  
3 of what would need to be addressed in the proceeding.

4           There could be a variety of considerations that  
5 we should make to make conclusions about the scope and  
6 the phasing, for example, the energy intensity of the  
7 buildings, perhaps higher building energy-using homes or  
8 nonresidential buildings per square foot, for example.

9           Perhaps focusing on particular climates,  
10 particulate climates that have more impact on the  
11 State's energy systems might be a consideration we would  
12 want to make.

13           Perhaps the type of ownership of the building,  
14 whether it's owned by government, state or local, or  
15 whether it's low-income housing, or whether it's  
16 residential or nonresidential, for example. And maybe  
17 there are subsets of those categories.

18           We may want to sort of dial in the scope and  
19 dial in the phasing based on building ownership.

20           And we find a difference among buildings in  
21 terms of the level of feasibility of having cost-  
22 effective upgrades and the value of, you know, non-  
23 energy benefits to buildings might be a factor for  
24 discriminating related to scoping buildings or phasing  
25 them.

1           No matter what, we're going to need to have an  
2 active involvement of stakeholders in an open public  
3 process to develop such systems. And it's going to be  
4 important for stakeholders and market actors to take on,  
5 themselves, the problem. And take on, themselves the  
6 thinking through of how could this best be done, and  
7 what should we be watching out for, and what do we need  
8 to address to make this work.

9           So and basically establishing a plan for how  
10 this would be delivered. It would be very important for  
11 stakeholders and key market actors to be involved in all  
12 of that.

13           Also, it's going to be important for  
14 stakeholders to communicate the results of the  
15 proceeding to their constituents and making sure that  
16 the people that they touch, and they influence in their  
17 part of the marketplace well understand what's expected.

18           And then we need to be watching out for trying  
19 to not over-burden a particular part of the industry,  
20 and so trying to understand burdens across the industry,  
21 and kind of creating a level playing field among all  
22 parts of the industry is something we'll have to focus  
23 on.

24           We're going to need the buy-in of stakeholders  
25 to make this work. And so, you know, it could be quite

1 challenging to get there, but that's a big part of this  
2 proceeding.

3           So, again, you'll find in the Action Plan  
4 initiatives, key initiatives that reflect what I've just  
5 discussed and you can read that on your own. Thank you  
6 for your attention.

7           MR. ASHUCKIAN: Okay, do we have comments on  
8 this section?

9           COMMISSIONER MC ALLISTER: I'm going to actually  
10 ask a question here because I'll make the first comment.  
11 Maybe I could go up to that microphone.

12           (Laughter)

13           COMMISSIONER MC ALLISTER: So, I guess, you  
14 know, in my mind disclosure and upgrades are two pretty  
15 different things.

16           MR. PENNINGTON: Right.

17           COMMISSIONER MC ALLISTER: And so if we have,  
18 you know, this section on mandatory, potential mandatory  
19 approaches, I guess sort of it seems like it would be  
20 cleaner to have those -- you know, we have disclosure  
21 with number one, with disclosure for large buildings  
22 that we're going to talk about, what, tomorrow, I guess,  
23 yeah.

24           MR. PENNINGTON: For energy use disclosure.

25           COMMISSIONER MC ALLISTER: Yeah, yeah.



1 MR. PENNINGTON: Not asset ratings, per se.

2 COMMISSIONER MC ALLISTER: Okay, so that's the  
3 distinction.

4 MR. PENNINGTON: That's one distinction.

5 COMMISSIONER MC ALLISTER: Okay, so this one is  
6 disclosure, and then measures, and would we more  
7 logically maybe separate those out into two different  
8 strategies to acknowledge that?

9 MR. PENNINGTON: So, we've written it up both  
10 ways and we found a lot of redundancy in terms of the  
11 considerations you would make, and kind of explaining  
12 why a date certain approach may be a better way to go.

13 And, you know, there's a lot here that the  
14 considerations kind of commonly apply to no matter what  
15 is the nature of the mandatory requirement.

16 But I agree completely that it's pretty likely  
17 that we will be adopting mandatory expectations for  
18 disclosure separate from mandatory expectations for  
19 upgrades.

20 COMMISSIONER MC ALLISTER: Okay.

21 MR. PENNINGTON: It seems likely that we would.  
22 We'll need to see, I mean --

23 COMMISSIONER MC ALLISTER: Well, I think the  
24 timing for that also would be very different.

25 MR. PENNINGTON: It could very well be.

1           COMMISSIONER MC ALLISTER: Like the potential,  
2 like the redevelopment, reimagining, and  
3 reimplementation of the asset rating system in the State  
4 is going to happen sooner.

5           MR. PENNINGTON: Right.

6           COMMISSIONER MC ALLISTER: And so I think that  
7 would be on the independent track, really, then maybe we  
8 could learn from it, than for any future potential, you  
9 know, actual upgrade kind of consideration and  
10 proceeding. But that would really be a separate  
11 proceeding, right?

12          MR. PENNINGTON: Yeah, I think it would be a  
13 separate proceeding.

14          I agree with you about the timing. That seems  
15 logical. On the other hand, there may be people who  
16 have the view that we should get on with it and get to  
17 some mandatory requirements for upgrades because it's  
18 upgrades we're really trying to accomplish here.

19          And the disclosure, people may argue, is not  
20 that important to accomplishing the upgrades.

21          So, I don't know, I think we're going to have to  
22 weigh that.

23          COMMISSIONER MC ALLISTER: Yeah, so I can see  
24 that. Let me just say I mean that I think that we heard  
25 from a broad range of stakeholders on the issue. I mean

1 some of the advocates really want us to go ahead and get  
2 going on, you know, the requirements. And, you know, we  
3 just need to make this happen, require it.

4 We've heard someone on the phone today. I think  
5 there's -- you know, in the scoping plan we heard a lot  
6 of that.

7 And, you know, we may well end up with a pretty  
8 big gap between what people are willing to do  
9 voluntarily and what people -- and our stated goals, and  
10 some of which are actually in statute.

11 So, there is kind of a potential rock and a hard  
12 place here for the Commission to sort of figure out,  
13 okay, well, how big a hammer do we have to use? How  
14 much can we condition the marketplace to get people to  
15 do things by choice?

16 And, you know, I'm hopeful that we can get  
17 people to do a lot of things. But that's why the  
18 mandatory stuff is in there because it's got to be on  
19 the table, and it's actually in the statute, and it's in  
20 the bill. And we've got to look at it and, you know, we  
21 need to close that gap.

22 So, anyway, I wanted to, I think, just ask some  
23 clarifying questions, really, about what we're thinking  
24 or what sort of the thinking of the process is going to  
25 be. I'm sure I'll have some other questions here down

1 the road.

2 MR. PENNINGTON: And I would just add that I  
3 think with the adoption of 1103, where there's  
4 disclosure during the transaction, that's going to give  
5 us some experience in how that process works. And, you  
6 know, I think the disclosure is going to be, again, a  
7 kind of a more broad application of that process.

8 So, once that moves down to the smaller building  
9 areas we'll have more experience of different building  
10 types, and I think we'll get a good flavor of how that's  
11 working, how the market is using that information, and  
12 we can then build from that experience.

13 COMMISSIONER MC ALLISTER: There's a logic model  
14 built in here. You know, earlier, in your previous  
15 presentation, you know, there's sort of like we think  
16 that disclosure -- we think that there's this, you know,  
17 five-node logic model where this leads to that, and that  
18 leads to that, and that leads to that.

19 And I mean, you know, it seems like we need to  
20 make absolutely sure that that logic model does indeed  
21 apply. And if we know that, then that's good, we should  
22 document that and sort of say, look, we know this is --  
23 we know this is the progression, we're going to  
24 therefore put it in place.

25 But I think, you know, we have to be certain of

1 the sort of legitimacy of that model, that if we do  
2 disclosure, then it leads to X outcomes, you know, on  
3 average, say.

4 And that's very different than saying -- so  
5 learning how far the sort of disclosure leads to  
6 upgrades down the road, and we get that experience, and  
7 we sort of are able to more precisely -- you know, more,  
8 with more knowledge project where the marketplace is  
9 going to go on that.

10 And then say okay, well, here are the gaps where  
11 there are market failures, market barriers. We can fix  
12 those and mandatory can play a part in that. I kind of  
13 think that's the path that we'd have the most traction  
14 with to sort of get the end result. But anyway, that's  
15 just me.

16 MR. ASHUCKIAN: Jennifer.

17 MS. SVEC: Jennifer Svec with the California  
18 Association of Realtors.

19 I have some clarifying questions. Disclosures  
20 of ratings; are we talking about disclosing a rating  
21 that a homeowner knows prior to a transaction, or are we  
22 talking about mandating an audit and then rating during  
23 the transaction?

24 MR. PENNINGTON: So, the former.

25 MS. SVEC: So if you know what the rating is,

1     you should disclose it. Do you know about --

2             MR. PENNINGTON: Well, no, I would see -- maybe  
3     I misunderstood your question. Where the information is  
4     disclosed, we need to determine that. I don't think you  
5     prejudge that. I think it works best if the information  
6     is disclosed before the transaction happens.

7             It might not work so great to do it in the  
8     middle of the transaction, or late in the transaction.

9             But, you know, how would we do that needs to be  
10    worked through.

11            MS. SVEC: And then my next question has to do  
12    with basic energy upgrades. Do we know what those might  
13    be?

14            MR. PENNINGTON: So, I think it's -- in general,  
15    what are the prudent measures that would work for this  
16    class of buildings that would be cost-effective, that  
17    would be feasible, that would be doable. And so, again,  
18    I think the proceeding would need to really get deep in  
19    the weeds on trying to figure that out.

20            MS. SVEC: All right, so this --

21            MR. PENNINGTON: So, I just described this in  
22    general, instead of trying to say it needs to be X, Y  
23    and Z.

24            MS. SVEC: So these parts will be figured out  
25    after the Action Plan, in the next proceeding.

1 MR. PENNINGTON: Right.

2 MS. SVEC: Because I just want to kind of know  
3 where to direct my comments because, obviously, you  
4 know, we're kind of really good at disclosures. We're  
5 really good at them. There just happens to be a lot of  
6 them and we want to make sure we don't over-burden  
7 transactions or delay them, as you said, which causes  
8 other financing issues.

9 COMMISSIONER MC ALLISTER: I mean the idea is  
10 that if you've got ironclad -- you know, technology has  
11 evolved and like there's just a totally, you know, no-  
12 brainer upgrade that is cost-effective, ironclad, the  
13 technology's there, the lifetime's there, you know, we  
14 just do the full due diligence and it's just there's no  
15 reason why these just shouldn't be in every home, or  
16 every small business, or every whatever the class is.

17 Then, you know, then they would be at least the  
18 right kind of subject matter for looking at some  
19 mandatory approach.

20 But you know, I think we go into that with eyes  
21 wide open and, certainly, there's a lot of stakeholders  
22 who want to make sure the details are right, and you're  
23 certainly one of those, and legitimately so.

24 So I mean, you know, it's not that -- you know,  
25 certainly our proceedings -- it is formal and it does

1    come to a conclusion, and we want to make sure that  
2    conclusion is a good thing to have done, right.  So, I  
3    mean there's -- you know, certainly the idea is not to  
4    ram this down sort of the marketplace's throat without  
5    its consent.  It's definitely to get to a point where  
6    those ready-for-primetime measures are enabled into the  
7    marketplace at a scale that provides all their benefits  
8    to everybody who came have them.

9                Like the homeowner that buys that house that has  
10   these mandatory measures done is going to have a huge  
11   upside and not much downside because they're so good,  
12   right.

13               So, that's that, you know, but the devil's in  
14   the details.

15               MS. SVEC:  Yeah.

16               COMMISSIONER MC ALLISTER:  Right, I get that.

17               MS. SVEC:  There actually was a good case study  
18   in Tahoe where they did a day certain implementation of  
19   a retrofit to existing housing, but they did that in a  
20   district approach.  They sort of condoned off their  
21   entire county and they did it piece by piece so that  
22   they could have the building or the local government  
23   staff necessary to make sure that the changes were done  
24   in the fashion necessary.  And they had, you know, no  
25   problems with compliance and it actually went forward



1 very, very smoothly. And I can provide those details,  
2 just so that you guys have them, as well as sort of a  
3 small case study for a mandatory approach for a date  
4 certain.

5 COMMISSIONER MC ALLISTER: That would be great.  
6 Thank you.

7 MS. CONE: Chris Cone, Efficiency First  
8 California. It seems to me disclosure of asset ratings  
9 and even a list of basic energy upgrades, that both  
10 those tools fall short of answering the actual question  
11 that people would want to know about a property, which  
12 is how efficiently does it use energy.

13 Is there any possibility as we move forward that  
14 disclosure by the seller of their utility bill data  
15 would become something that could be mandated to fully  
16 answer the buyer's question?

17 MR. PENNINGTON: So I think having the energy  
18 use as part of the system would supplement the value of  
19 just having asset ratings. And, you know, that's been  
20 basically what has been done in Europe, too.

21 So, why not, you know, I think we ought to be  
22 looking at that.

23 The problem with just energy use data being  
24 disclosed is that it's highly subject to the former  
25 occupant of that building's behavior and operational

1 practices.

2 And so the information about the energy  
3 efficiency of the building is unclear. There's an  
4 ambiguity about that.

5 And so, particularly, I mean that kind of  
6 information is terrific for owners and occupants of  
7 buildings that are going to continue to own and occupy  
8 the building to benchmark their past practices, and to  
9 give them a sense for when they ought to be making  
10 improvements to their practices, and maybe considering  
11 investments in their building, also.

12 So, I think that has particular value for the  
13 owner that continues with the building.

14 For the occupant than is completely different  
15 from the prior occupant, I think the value of the  
16 information is substantially less.

17 And I think you do -- fundamentally, if this is  
18 going to affect property valuation, also, fundamentally  
19 it needs to be about what is it specifically about that  
20 building that ought to be valued more, rather than what  
21 happened in the experience in occupying that building.  
22 You know, having that affect the value is more  
23 questionable.

24 COMMISSIONER MC ALLISTER: I guess I -- so  
25 that's a really good point and, you know, some of us are

1 going to be able to make more out of that than others.

2 I guess, you know, the folks I bought my house  
3 from I'm sure, I'm actually certain of it, they have  
4 very different habits, and patterns of behavior than I'm  
5 going to have.

6 So, you know, I wanted to know how much energy  
7 they were using but I didn't necessarily -- you know,  
8 really with an eye towards trying to map that over to  
9 what I think I'm going to do.

10 I mean there's so many assumptions going in  
11 there you really need -- you need a yardstick.

12 So, related to this topic and to the previous  
13 topic of evaluation, I mean I really am -- I think we  
14 need to push for simplicity and a relatively low cost of  
15 this stuff.

16 Because, you know, there's a balance between  
17 accuracy and cost at some level. I mean technology's  
18 enabling us to do more with less.

19 But if it's just -- if people see it as a  
20 problem, and a burden, and a relatively significant cost  
21 it's just not going to -- you know, it's not going to  
22 happen systematically and even very often.

23 So I guess, you know, we can't be pushing for  
24 the perfect solution because that's very likely going to  
25 cost too much. But we need to kind of figure out okay,

1 well, what is good enough as far as an asset rating that  
2 has meaning and that will -- you know, statutorily we  
3 have to have an asset rating in the marketplace. We'd  
4 like it to be relevant and utilized.

5 And, you know, if we believe the logic model  
6 that says that will influence retrofit behavior then,  
7 you know, we need to sort of put it in place, encourage  
8 it to happen and then, you know, but have it be as  
9 streamlined as possible.

10 So, I really, I think we do want -- we want  
11 upgrades of existing buildings is what we want. You  
12 know, so the asset rating, itself, is not the goal. The  
13 goal is to have informational tools, and encouragement  
14 and resources to allow people to get to do the actual  
15 projects.

16 And so we really need to make sure that we're  
17 doing -- that this and other tools that we create  
18 facilitate that.

19 And so if having a -- you know, I think there  
20 may be value actually, in having the good guys get  
21 highlighted. Like the good projects, you know, hey in  
22 the MLS it says this is a rocking project with zero net  
23 energy. You know, it's got a rating -- you know, it's  
24 got a fabulous rating. That might actually push the  
25 marketplace.

1           To the extent that those get highlighted and the  
2 bad ones don't then you know, then maybe there's an  
3 upside there and it creates that leadership in the  
4 marketplace and people go there, right, without  
5 necessarily highlighting the down side.

6           I mean, maybe, you know, that may be influencing  
7 the market as well.

8           So, in determining whether we want to establish  
9 a mandatory, you know, ratings disclosure I think it's  
10 really critical to understand that dynamic. And I  
11 personally don't think we do right now.

12           So part of it is learning from the marketplace  
13 as it is.

14           But, you know, statutorily we have to have one  
15 of these, we have to have a rating system and it would  
16 be useful to have it be utilized enough to guide us in  
17 developing the overall marketplace.

18           So, just sort of a comment --

19           MR. ASHUCKIAN: I would just like to add that,  
20 you know, we are in a time where it's hard to keep up  
21 with the evolution of technology in our minds. And that  
22 when we -- you know, the use, the disclosure of energy  
23 consumption to us, you know, old folks, it's like how  
24 much kilowatt hours is used per month.

25           Well, with Smart Meter data, you know,

1 disclosing that information at the interval of a -- you  
2 know, with the algorithms that are available to analyze  
3 that data, we actually may get a lot more out of just  
4 disclosure information that could be run through these  
5 algorithms that will tell you this is how much of the  
6 energy bill was used for HVAC. This is how much was  
7 used for lighting. This is how much was used for  
8 appliances.

9           So that just getting that data would actually go  
10 a long ways to helping inform the new owner and  
11 occupants that, yeah, this is what their bill was but,  
12 look it, they used all their energy with grow lights in  
13 the bedroom, so that's kind of weird.

14           (Laughter)

15           MR. ASHUCKIAN: And the point is we have to  
16 continue to think about how these programs can continue  
17 to evolve with the technology. And that, certainly, if  
18 we can get disclosure of just the energy data that might  
19 go a long way. Certainly, ratings would go even further  
20 than that.

21           MR. OLDHAM: Joseph Oldham with the City of  
22 Fresno. I'd just like to encourage the Commission, as  
23 they look forward to developing the rating system and  
24 lists of basic energy upgrades what -- that we're seeing  
25 that the ratings have a shelf life. And that just

1 because a house is built to a certain standard at a  
2 certain date doesn't mean that it will hold that  
3 standard over time.

4           What we're seeing when we go in and do these  
5 assessments of these homes is a clear pattern of  
6 deterioration of systems over a period of time. And it  
7 seems to be, in some ways we're really thinking that  
8 it's largely regional in its application.

9           So, in other words, HVAC systems and systems  
10 here in the San Joaquin Valley, a very hot climate zone,  
11 they tend to deteriorate faster than they would in a  
12 more moderate climate zone.

13           So, I'd really encourage the Commission to take  
14 those types of regional differences into consideration  
15 as you build these programs and move forward in these  
16 areas.

17           And the same goes with the basic energy  
18 upgrades. Some upgrades are going to be more practical,  
19 and more applicable, and more effective in certain  
20 climate zones than others.

21           So for here what we're seeing is it's  
22 insulation, it's HVAC or cooling system upgrades, it's  
23 air ceiling in other parts, you know, and those are all  
24 related to our electricity use.

25           In other areas it may be more related to therm

1 use, which could be similar kinds of upgrades, but they  
2 might also have a difference. Maybe more furnace  
3 replacements along the coast, that sort of thing, hot  
4 water heaters, those types of upgrades.

5 So, those are my comments. Appreciate it, thank  
6 you.

7 MR. HODGSON: Mike Hodgson, ConSol. Talking  
8 about ratings and trying to attempt to rate buildings,  
9 I'd like to focus on the commercial side.

10 The biggest difficulty we have is actually  
11 gaining access to utility data. And it's not the  
12 utility that's the problem. It's the tenant who is the  
13 problem.

14 And the building owner typically is the  
15 motivator to try to get the building improved and  
16 upgraded. However, since they're not the person who has  
17 the meter, they're not allowed to have access to that  
18 data.

19 So, if you're looking at things that you may  
20 want to do on a mandatory basis, you may want to put in  
21 segregation of utility bills as a legislative mandate.

22 And what you could do then is when anybody wants  
23 to get access to the utility bill, who has the correct,  
24 you know, ownership and direct landlord/tenant  
25 relationship, they get access to those bills.



1           But today, I would say the majority of buildings  
2   that we audit, we do not get the utility bills because  
3   the tenant doesn't give us -- there's multiple tenants  
4   and they're not the building owner, they're the tenant,  
5   and leases are triple nets.

6           COMMISSIONER MC ALLISTER:   And do they -- is it  
7   that they refuse to sign the disclosure or are they  
8   just -- because I mean there is a utility form,  
9   typically, where you say, okay, I authorize the release  
10   of my data.   Are they presented with that and refuse or  
11   is there just some --

12          MR. HODGSON:   They are presented with it and  
13   they refuse, and we have no authority between the  
14   landlord and the tenant.   And, typically, that's  
15   something that the landlord and the tenant negotiate.  
16   So, if one side wants something, the other side usually  
17   gives something, and we're not in that equation.   We're  
18   there to audit the building for the owner and we don't  
19   have access to the data.

20          MS. SVEC:   Commissioner, some of the tenants  
21   feel it's a violation of their privacy, which is why  
22   they don't want to release it to their owner.   They  
23   think it's going to be held against them in some way,  
24   shape or form.   And they say that since it's their data  
25   use that they shouldn't have to provide that sort of

1 information to the owner.

2 Which is why 1103 was important, to have the  
3 utilities uploading that data as a third-party source,  
4 without sort of the defined information that would be to  
5 the ratepayer, themselves.

6 MR. HODGSON: Yeah. So, what we do with 1103  
7 right now is if we don't have that data, and we're  
8 trying to rate the benchmarked building on Energy Star  
9 portfolio, we default to the standard, which is totally  
10 worthless. It tells you nothing. It tells you this is  
11 a typical building.

12 So if you want to know how that building's  
13 performing, you really need to have utility data.

14 COMMISSIONER MC ALLISTER: In that case it's  
15 actually almost less than worthless because it's  
16 actually not letting you ask exactly the question that  
17 you do want to ask right, so --

18 MS. WINN: And just Valerie Winn for PG&E on the  
19 1103 issue.

20 COMMISSIONER MC ALLISTER: I was going to call  
21 you out anyway because everybody's talking about --  
22 thank you for coming, Valerie, as the sole utility  
23 representative here I guess --

24 MS. WINN: Well, no, actually I'm not. I would  
25 say PG&E is the sole utility, but I do have some of my

1 colleagues with me --

2 COMMISSIONER MC ALLISTER: Oh, excellent.

3 MS. WINN: -- who are from our Energy Efficiency  
4 Team.

5 COMMISSIONER MC ALLISTER: Okay, great.

6 MS. WINN: So, we are actively participating in  
7 person and by phone.

8 I did want to note, though, on the 1103  
9 implementation, you know, that the first traunch of  
10 buildings, of non-res buildings is going to have to  
11 comply with that regulation by September the 1st. That  
12 date was extended for two months because the tool we are  
13 required to use wasn't available and is causing some  
14 other issues.

15 I think we could use some of the lessons that we  
16 learned from that 1103 process, as we see what  
17 challenges people have in reporting. We can use some of  
18 that feedback to inform this process as we move forward.

19 It's going to be a learning process and I agree  
20 it's challenging but, you know, the data privacy issues,  
21 we always come back to that, it will be difficult to  
22 overcome in some cases. But we have a few work arounds  
23 in place, so we'll see how they work.

24 MR. HUSAK: Aaron Husak, Balanced Comfort. Just  
25 kind of still stuck on the Energy Upgrade California

1 terminology, when you say "basic upgrades", and then  
2 we're talking about mandatory and voluntary. Could  
3 you -- I see you're nodding your head no, so they're  
4 separate.

5 MS. COLLOPY: Yeah.

6 But could you kind of help me understand the  
7 voluntary and then the mandatory?

8 Is it if they're going to do upgrades, then they  
9 have to do the mandatory things? I'm not sure.

10 MR. PENNINGTON: So, we've divided up our  
11 strategies for the Action Plan into no regrets, and  
12 voluntary strategies, and mandatory strategies.

13 MR. HUSAK: Okay.

14 MR. PENNINGTON: And the mandatory strategies  
15 ultimately would be implemented through regulations that  
16 the Energy Commission would adopt at some point.

17 MR. HUSAK: Okay.

18 MR. PENNINGTON: So I don't know if that clears  
19 that up completely or not.

20 In terms of the use of the term "basic" it means  
21 its most general use, rather than the basic path you  
22 see. You know, just establishing a set of well-  
23 justified measures that would be done as a requirement  
24 for buildings, and the proceeding would determine what  
25 those measures would be.

1           MR. ASHUCKIAN: I think in many of our minds,  
2 for us basic means the lowest hanging fruit on the  
3 energy efficient measure tree.

4           MS. COLLOPY: And you see now there is no basic,  
5 or they've changed the name, so that should eliminate  
6 that in the future.

7           MR. HUSAK: Okay.

8           MR. PENNINGTON: They fixed our problem for us,  
9 right.

10          MR. ASHUCKIAN: I would just add that, as I  
11 mentioned before, 1103 is giving us some real-world  
12 experience on how to deal with data, how to deal with  
13 the whole process of disclosure. And we are working  
14 through that with the utilities. We're going to provide  
15 some clarification on how to comply with that rule  
16 pretty shortly, as well.

17          MR. JENSEN: George Nesbitt, go ahead, please.

18          MR. NESBITT: Can you hear me?

19          MR. JENSEN: Yes.

20          MR. NESBITT: Okay, George Nesbitt, HERS rater.  
21 First, a question for Andrew McAllister, did he receive  
22 his California Energy Commission "What is your Home  
23 Energy Rating Disclosure Booklet" in his recent purchase  
24 of his home in the Sacramento area?

25               Or do you remember because --

1           COMMISSIONER MC ALLISTER: You know, that's a  
2 great question. You know, I had a long conversation  
3 with my inspector because he is also a HERS rater. And  
4 when he figured out about three-quarters of the way  
5 through the inspection that I was actually the Lead  
6 Energy Efficiency Commissioner --

7           (Laughter)

8           COMMISSIONER MC ALLISTER: -- he got a little  
9 nervous. So, you know, it's in Davis, so I'm not sure  
10 it would have been covered. But I do not remember  
11 getting that booklet.

12          MS. SVEC: Commissioner, did you do an  
13 electronic transaction or a paper transaction?

14          COMMISSIONER MC ALLISTER: I did an electronic  
15 transaction with a -- afterwards, a paper signature.

16          MS. SVEC: Yes, then you did receive it. It  
17 comes in one big packet.

18          COMMISSIONER MC ALLISTER: Thank you, that's  
19 good to know.

20          MS. SVEC: You're very welcome.

21          (Laughter)

22          MS. SVEC: The California Association of  
23 Realtors facilitates all of the documents that are  
24 presented in the transaction, and in our electronic  
25 transactions we do include several documents that are

1 disclosure documents, or booklets, the Environmental  
2 Hazard booklet, the HERS booklet, as well as a variety  
3 of others that are packaged together in one cohesive PDF  
4 for you.

5 MR. NESBITT: Right. So, I think part of the  
6 point is, well, you either didn't get it, or you got it  
7 and you don't know, there's too much information.

8 But that the terminology you're using in the  
9 Action Plan, disclosure of a rating is somewhat  
10 pointless in a way. Not many people have had a rating.

11 I think what we're really talking about is a  
12 requirement to have a rating and, obviously, disclose  
13 it. So, that seems -- and that may be a terminology in  
14 just how you're writing it in the Power Point.

15 But, you know, what Europe has done, many places  
16 is that they're requiring a rating. Obviously, you  
17 disclose it.

18 I believe in Europe there is a five-year time  
19 frame, so it's no longer valid after five years.

20 Obviously, if changes have been made to a  
21 building, the rating changes.

22 I do think that we ultimately want to go to a  
23 mandatory rating and I would think that we would want to  
24 start sooner, than later, and start with certain trigger  
25 points, like time of sale, major remodeling, additions,

1    which would actually -- some of those would lend  
2    themselves also to a requirement for energy savings,  
3    actual upgrades.

4           And I would think that if we would want to  
5    require upgrades, the way to do it is a percent  
6    improvement and that might vary depending on the age of  
7    the house, as opposed to specific requirements to do  
8    this or that, so people have flexibility.

9           And the rating system, the HERS rating system  
10   has, of course, all of this flexibility in it currently.

11          So, I would certainly support mandatory, and  
12   moving that way and phasing it in starting with certain  
13   trigger points, and going ultimately to mandatory for  
14   everything. But we have to build our way and we might  
15   as well start sooner and start smaller.

16          MS. COLLOPY: Thank you very much, George.

17          So, we are moving on to the next segment, which  
18   is No Regrets Strategy 2, Support for Standards  
19   Compliance and Enforcement.

20          Sam Lerman, from the Energy Commission, will be  
21   presenting on this segment.

22          MR. LERMAN: So, good afternoon, my name is Sam  
23   Lerman, from the Energy Efficiency and Renewable Energy  
24   Division.

25          So, I'll be presenting No Regrets Strategy 2.



1 This section focuses on key strategies for supporting  
2 and improving compliance and enforcement of the Building  
3 Energy Efficiency Standards.

4 And we've devoted an entire no regrets strategy  
5 to this topic because we believe the foundation of  
6 California's Energy Efficiency Future relies on  
7 stakeholder collaboration to achieve consistent  
8 compliance and enforcement.

9 So there are three main areas of focus in this  
10 section. The first is insufficient compliance and  
11 enforcement efforts are a major barrier to transforming  
12 the energy efficiency marketplace.

13 The current compliance process is complex and  
14 difficult to understand for many market actors. And  
15 enforcement efforts need to establish clear consequences  
16 for noncompliance and provide incentives for market  
17 actors that do comply.

18 So one area where we know there is a major lack  
19 of compliance, currently, is in the realm of replacement  
20 HVAC systems.

21 So, in 2008 the Energy Commission released a  
22 report that estimated 90 percent of HVAC replacement  
23 projects are being conducted without a permit. And this  
24 prevents enforcement agencies from verifying compliance  
25 with the standards.

1           That same report estimated that each year 130  
2 megawatts demand reduction could be achieved if 90  
3 percent of HVAC replacement systems were permitted and  
4 properly installed.

5           So, the graph on the screen shows the demand  
6 savings that would be achieved if 90 percent of  
7 residential HVAC replacements were permitted and  
8 properly installed beginning in 2020.

9           And the graph shows that by 2040 the total  
10 electricity savings will be enough to eliminate the need  
11 for five 500-megawatt power plants.

12           So, there are a couple of different options that  
13 we can pursue to help remedy this problem.

14           So, number one, we need to conduct in-depth  
15 studies to determine or to properly analyze how deep the  
16 permitting problem actually runs, not just for HVAC  
17 projects, but for other energy efficiency projects, as  
18 well.

19           And this is going to require extensive  
20 collaboration and information sharing amongst various  
21 stakeholders.

22           We'll also need to explore approaches to  
23 properly attract when specific equipment, such as AC  
24 units, are installed in California and when they receive  
25 a permit, so that we can begin identifying which

1 contractors are pulling permits and which ones are not.

2 So, secondly, we also need to focus efforts on  
3 simplifying the compliance process, itself.

4 So, many stakeholders have indicated the permit  
5 process is time consuming and inconvenient. And we  
6 could begin to remedy this problem by increasing sector-  
7 specific training that's needed to increase the  
8 understanding of standards requirements.

9 Consumers need to be educated about the value of  
10 and cost savings associated with properly permitted  
11 energy efficiency upgrades to increase the demand for  
12 contractors who comply with the standards.

13 Also, contractors and enforcement agencies need  
14 to have access to robust targeted training programs to  
15 help them better understand the standards requirements.

16 We also need to focus efforts on streamlining  
17 efforts for pulling permits, with the underlying goal  
18 here is to eventually establish a voluntary, statewide  
19 online permitting system for contractors and building  
20 departments.

21 We've seen across the country there have been a  
22 number of pilot programs. So, for instance, if you look  
23 at the bottom left-hand corner of the screen that's a  
24 picture of a kiosk that can be found in a Las Vegas Home  
25 Depot store.

1           So, a homeowner or a contractor that's going  
2 through a water heater replacement, or an air  
3 conditioner, or a heater replacement can go into the Las  
4 Vegas Home Depot, go to the kiosk and actually pull the  
5 permit directly from the kiosk system.

6           The Department of Energy has also created a  
7 program called Simply Civic, which helps streamline  
8 permitting and inspection of solar systems through  
9 modular online application.

10          And so we want to look at these pilot programs  
11 that are being conducted across the country and explore  
12 lessons learned from those programs to eventually set up  
13 a statewide program here in California.

14          And, finally, we need to have a system that  
15 adequately rewards those that comply with the standards  
16 and adequately discourages those that do not comply with  
17 the standards.

18          And so we have a couple of very technical  
19 graphics there to help illustrate that point.

20          (Laughter)

21          MR. LERMAN: So, the current compliance process  
22 puts contractors who pull permits at a competitive  
23 disadvantage to those who are -- who are complying with  
24 pulling permits.

25          And basically what we mean there is contractors

1 who don't pull permits are able to offer more  
2 competitive rates because they're not paying the  
3 permitting fees up front.

4           So, we need to establish incentive programs for  
5 those who are complying with the standards requirements  
6 and clear consequences for those who are not complying.

7           This is going to involve collaborating with the  
8 Contractor's State License Board, local governments and  
9 other State agencies to determine contractors who are  
10 not complying with the standards.

11           And it will also require regulating agencies and  
12 local governments to work with the California Attorney  
13 General's Office and District Attorneys, to pursue legal  
14 action, when needed.

15           There are a number of different incentive  
16 options that we can explore. For instance, we can look  
17 at providing incentives to consumer who provide a  
18 certification of verification when an alteration project  
19 has received final sign off.

20           And we also need to look into exploring non-  
21 monetary incentives, as well.

22           So this no regrets strategy has one key  
23 strategy, and that is to implement solutions to increase  
24 compliance with and enforcement of California's Building  
25 Energy Efficiency Standards for alterations to existing

1 buildings.

2           And there are six initiatives underneath that  
3 key strategy. We've discussed most of them already, but  
4 I'll touch on them again here, real quick.

5           So, number one is to conduct statewide studies  
6 to understand and monitor the extent to which permits  
7 are being obtained and compliance is being achieved.

8           Number two is to develop approaches to track and  
9 determine whether specific equipment sold and installed  
10 in California complies with State and local  
11 requirements.

12           Number three is to educate and train  
13 contractors, building departments, homeowners, and other  
14 market actors on the standards for specific alterations,  
15 and the cost and operational benefits of compliance.

16           Number four deals with developing a statewide  
17 online permitting system for local building departments  
18 and contractors, and collaborating with manufacturers,  
19 distributors, and retailers to encourage contractor and  
20 consumer participation in the online permitting system  
21 and tools.

22           Number five deals with collaboration with State  
23 and local agencies to actively enforce State building  
24 standards and establish clear consequences for  
25 noncompliance.

1           And number six is to encourage local governments  
2   to establish initiatives to improve enforcement of the  
3   State Building Standards, and local energy and green  
4   ordinances.

5           So, that concludes my presentation and I'd like  
6   to open it up for comments.

7           MR. ASHUCKIAN:   And I just want to add a  
8   clarifying comment here.   This is a no regrets strategy.  
9   Even though we're talking about it today, when we're  
10   talking generally about some voluntary strategies, it's  
11   in our no regrets category, which means do it now, do it  
12   first.

13          We have just rearranged the schedule.   We wanted  
14   to get financing done because we were in San Francisco  
15   because of all the financing work that the PUC is doing.  
16   Financing is a voluntary strategy, even though we  
17   covered it on the first day.

18          So, I just wanted that clarification for folks  
19   who might not understand.

20          COMMISSIONER MC ALLISTER:   So, I have a couple  
21   of just things I'll toss in the hopper here.

22          I would love to get everybody's opinion on how  
23   big they think the gap is.

24          You know, it's one thing to just acknowledge  
25   that permitting doesn't happen, but it's quite another

1 thing to quantify what the savings actually left on the  
2 table are from that lack of permitting, and those are  
3 two different things.

4 And so, if we think the gap isn't very big, then  
5 maybe solving the permitting problem isn't going to  
6 contribute to additional savings. My gut's telling me  
7 that's not the case.

8 But, you know, I just know that if a contractor  
9 comes to my house and says, oh, yeah, you know, there's  
10 two prices, one with a permit and one without a permit.  
11 And, don't worry, I'm going to install it to code either  
12 way, same installation. I'm just saying if you get a  
13 permit that's one price, don't get one, you know -- so I  
14 have my doubts about whether that's actually true, but I  
15 don't know.

16 And so I think, you know, we don't want to -- I  
17 mean permitting is good for all sorts of different  
18 reasons, right. Code compliance is good for all sorts  
19 of different reasons.

20 We're here to talk about the energy efficiency  
21 and energy savings aspects of those things.

22 So, there's kind of an assumption built in here  
23 that improving the permitting process and getting  
24 better, more conscious, straight forward application of  
25 code, and the compliance with code has energy upside.



1           And so, I'd like to know sort of -- you know,  
2 one thing I think we need to do is get a better handle  
3 on what those savings actually are.

4           You know, as Sam outlined, there's some  
5 knowledge about that. But that, sort of what that  
6 dynamic really is, is critical, understanding that  
7 dynamic is critical to understanding what the solutions  
8 are to getting the energy savings that are left on the  
9 table.

10           And so how much of it can be solved with sort of  
11 helping local governments have more comprehensive  
12 permitting, you know, higher penetration of permitting,  
13 how much of it is about enforcement and just, you know,  
14 and what's the balance there?

15           I kind of -- my gut, you know, my sort of  
16 natural way is to want to do it with more carrots and  
17 fewer sticks, if possible. But, you know, I think we  
18 need to create the conditions by which the CSLB would  
19 even be willing to go enforce.

20           Because if everybody's confused about code then  
21 that's kind of on us to develop the code, to go educate  
22 the marketplace about the code.

23           So, anyway, I think this is -- these four  
24 initiatives here I think seem pretty appropriate. And I  
25 guess I'd like to get people's feedback on whether

1 that's the whole range of things that need to be done,  
2 or whether there's really two things that are most  
3 critical within those four, or what the deal is.

4 Because I think they kind of sound good on paper  
5 and I think, you know, they're necessary for reasons  
6 that are broader than just the energy savings, but it  
7 would be great to really get understanding there.

8 And particularly from the local government  
9 perspective, I think that -- but also from the  
10 contractor perspective, obviously, is key.

11 MR. OLDHAM: Joseph Oldham with the City of  
12 Fresno. I didn't really come up here to talk about the  
13 energy savings potential with code compliance

14 But I can tell you, now that you've brought that  
15 question up, from what we've seen on doing the  
16 inspection of homes where it's very obvious to us, as we  
17 go in and do the inspections that equipment was  
18 replaced, particularly HVAC equipment. No permits were  
19 pulled because we cross-check to see if these houses had  
20 permits pulled, that the energy savings potential is  
21 quite large.

22 We routinely run into situations where an HVAC  
23 system was installed, ductwork was not repaired or  
24 replaced or, in some cases, it was actually damaged  
25 during the installation. Duck leakage 20, 30, 40, 50,

1 80 percent.

2 We ran into one house where they had a system, a  
3 brand-new HVAC system installed a year and a half prior  
4 and the homeowner called us and said we are really tired  
5 of our high bills. We went out in the wintertime and  
6 there was a two-inch gap across the back of the main  
7 plenum, where the duct system connected to the outlet on  
8 this unit.

9 And when we focused our thermal imaging guns up  
10 there it looked like the exhaust of an F-16 and  
11 afterburner.

12 And so, you know, that is quite typical, we see  
13 that a lot.

14 So, I would say the energy savings potential is  
15 huge. I couldn't quantify what the actual kilowatt  
16 hours of therm savings would be, but I would say it's  
17 very, very significant.

18 My main reason for standing up before you this  
19 afternoon was really to encourage you to add another  
20 stakeholder to this discussion on code compliance, and  
21 that would be the insurance industry.

22 You know, many people don't realize that if  
23 unpermitted work is done on a home, it potentially can  
24 invalidate their homeowner's insurance. That puts them  
25 at tremendous risk in the case of loss, of a fire,

1 especially if the damage to the home was related, maybe,  
2 to a piece of equipment that was installed and the fire  
3 department can trace it to that. They potentially could  
4 be out the full cost of that loss and basically lose  
5 everything.

6 So, I would encourage the Commission to engage  
7 the insurance industry in this discussion about the  
8 permitting problems that we have, as well as continue  
9 the conversation with local governments.

10 Local governments have been constrained, as you  
11 all know, in this last -- in this downturn. Loss of  
12 building inspectors, loss of revenues and we continue to  
13 have pressure from our local councils and elected  
14 officials to reduce our costs to make our communities  
15 more business friendly.

16 And oftentimes these pressures to make the  
17 community more business friendly somehow get translated  
18 into less inspection services or more, you know, types  
19 of things that maybe not ultimately lead to kind of  
20 where we need to be five or six years down the road.

21 So, I would just encourage the Commission to  
22 understand that those dynamics are actively in place,  
23 especially in the inland areas of the State, which have  
24 been the hardest hit in terms of persistent ongoing  
25 unemployment, and challenges with the recovery.

1           So, thank you.

2           MS. COLLOPY: Are there any other questions in  
3 the room? Conrad.

4           MR. ASPER: Conrad Asper, Efficiency First  
5 California. Two things, one I think Bob was -- kind of  
6 misplaced in his comments. They actually, maybe should  
7 be here about the whole serial number concept.

8           And so I would want you to consider that and is  
9 that a possibility? Is that something that you could  
10 respond to as to is that a -- it seems to me, from the  
11 people that I've talked to, that seems to be a simple  
12 concept and approach. Politically, it might be  
13 difficult, but it's something that would solve the  
14 problem, potentially.

15           Can you guys maybe expand upon that? And then I  
16 want another question after that.

17           MR. ASHUCKIAN: Yeah, there is, actually AB 834,  
18 I believe, was the bill that Das Williams was working on  
19 for compliance and enforcement of Title 24.

20           We understand that that bill, which had  
21 challenges about giving the Energy Commission the  
22 authority to enforce Title 24, they had looked at now  
23 changing that to a bill that would require the  
24 disclosure of serial numbers when HVAC systems were  
25 brought into California. So, there may be some action

1 on that at the legislative level next year. It became a  
2 two-year bill.

3 And, certainly, that's an area that we have been  
4 looking into. Actually, our Compliance and Enforcement  
5 Office is working with the utilities on some incentive  
6 mechanisms to try and encourage that to happen, as well.

7 So, yes, we are actively looking at how we can  
8 make that happen sooner, rather than later.

9 COMMISSIONER MC ALLISTER: And I'll just add  
10 like I mean that's totally on the table. I mean this  
11 strategy or the initiative number two, under no regrets  
12 2.1 is, you know, we're putting it out there because we  
13 want the feedback.

14 You know, and I think it's great to hear from  
15 IHACI that they support it.

16 You know, not all industry organizations support  
17 it and, you know, but it seems clear that we have the  
18 authority to do it. The Commission has the data request  
19 authority to do it. Definitely working through the nuts  
20 and bolts of how it would work. It's not a trivial  
21 thing to do.

22 But again, it goes back to what we talked about  
23 earlier today and most of yesterday about data. It's  
24 like, look, I mean data -- we're in the second decade of  
25 the 21st century, information is required for good

1 decision making.

2 And it's basically if we can't characterize the  
3 problem, then we can't quantify how big a problem it is  
4 and we can't solve it.

5 So, this just seems like basic information that  
6 we need to be able to do our jobs.

7 So, I have a hard time -- I mean I'm sure  
8 there's all sorts of reasons why, you know, it might be  
9 difficult and all that, but I just don't see a killer  
10 for, you know, basically the idea that this is a good  
11 idea.

12 MR. HODGSON: Mike Hodgson, ConSol.

13 Commissioner McAllister, I feel your pain.

14 This is an issue that we've been wrestling with  
15 for a decade or so, trying to figure out how many HVAC  
16 systems are permitted in the State and how many are  
17 installed.

18 There's a group of at least 50 of us that get  
19 together on a weekly phone call and talk about this  
20 stuff for the last year, and it's been very productive.

21 It's not difficult to figure out. We have the  
22 numbers from the mechanical manufacturers that come into  
23 the State. CIRB has the data of all of the HVAC permits  
24 in the State, but they don't take the time to add them  
25 up because they don't think it's important. It's not

1 their job.

2           So, if we actually went and asked them, and paid  
3 them to figure out how many HVAC permits by each  
4 building department there are in one year, and compared  
5 that to your State, you know, HVAC sales statistics, I  
6 think it would not be tough to figure out.

7           COMMISSIONER MC ALLISTER: Okay. So who's --  
8 what was that agency, CIRB?

9           MR. HODGSON: CIRB is the Construction Industry  
10 Research Board. It's the nonprofit that reports all  
11 building permits since 19, I don't know, 80 something.

12           COMMISSIONER MC ALLISTER: So, they already  
13 aggregate the building permit data from the local  
14 jurisdictions?

15           MR. HODGSON: Every jurisdiction in the State.

16           COMMISSIONER MC ALLISTER: Wow.

17           MR. HODGSON: Yeah, it's the data that we rely  
18 on in the new construction industry to figure out where  
19 permits are, and et cetera.

20           And we actually, through the building industry,  
21 give that data by climate zone to the Energy Commission  
22 on an annual basis. So, that data also exists on the  
23 alterations side, and the HVAC permitting side, and  
24 there's going to be a difficulty there between what's an  
25 alteration and what's an HVAC permit, but we can make



1 some assumptions there.

2 But rule of thumb, we're all guessing it's  
3 between 10 and 20 percent permitted, probably on closer  
4 to 10, rather than to 20, which is also what's in the  
5 report that you have. So, I think you've pretty much  
6 felt the size of the problem.

7 Now, the question is what's the magnitude?

8 And one of the issues -- I just had my  
9 mechanical equipment replaced for the first time in 27  
10 years. I'm a slower learner. But I also don't use air  
11 conditioning. I live in Stockton and it has a lovely  
12 climate.

13 When I did I had three bids, and two of the bids  
14 gave me with and without permit prices. And the  
15 variation was about \$2,700. And the reason for that  
16 wasn't the permit. It was the associated costs that you  
17 have to do to code, which was fixing the ducts. And  
18 that was the cost, and that's what's driving people away  
19 from -- it's one of the things that's driving people  
20 away from permitting.

21 Because when your mechanical system goes out and  
22 you just need to replace the compressor, and the person  
23 comes back with a bid of \$4,000, they're going I can go  
24 down to Home Depot and buy it for \$450, I'm getting  
25 screwed. And they don't understand the rest of the

1 process. So, there's a value proposition that needs to  
2 be explained but, also, you don't want to put a new  
3 mechanical system in with a crummy, 50 percent leakage  
4 duct system. So, there's a relationship there that we  
5 need to work on.

6 There is one other issue that I wanted to  
7 briefly talk about and that is on the enforcement and  
8 compliance issue, which is one of my favorite issues  
9 with Title 24 is it is complex.

10 And we have the same issue in new construction  
11 as we do in the HVAC permitting. I don't think you see  
12 the 90 percent number, but it's a fairly significant  
13 difference.

14 And the Commission should play a much stronger  
15 role, in my opinion, my personal opinion, in enforcing  
16 the standards that they have.

17 You should have a show of force. You cannot  
18 expect a local jurisdiction, if you don't stand behind  
19 them, to go and do something. Why? Because local  
20 jurisdictions are local politics and you cannot -- I can  
21 talk to numerous building officials and you tell them,  
22 oh, sure, you're going to go shut down a homebuilder.  
23 Well, that's dangerous to their livelihood and they  
24 understand that.

25 So the Commission, who does not have that

1 influence, can really play a strong role in that. And I  
2 think you have all the authority you need and all you  
3 have to do is do it a few times, and it will make a very  
4 big impact.

5 COMMISSIONER MC ALLISTER: Thanks for that. I  
6 guess I would say please comment on number three here,  
7 as we've -- initiative number three, under this no  
8 regrets strategy is basically about educating and  
9 training contractors, building departments, homeowners  
10 and other market actors on the standards for specific  
11 alterations, and the cost and operational benefits of  
12 compliance. Provide permanent, ongoing training as  
13 conveniently as possible throughout the State.

14 So, the idea there, you know, and this document,  
15 right at this moment it's a little bit reductive because  
16 we didn't want to presume that we already know all the  
17 answers and that we -- I mean we want the actual, look,  
18 we need some details about what you think that looks  
19 like in practice.

20 But the original idea we had was, basically, we  
21 need a road show. I mean the Title 24 gets updated  
22 every three years, basically, and we only have two more  
23 code cycles until we have to be at zero net energy new  
24 construction, right 2020 for residential.

25 So, and just the jump from 2008 to 2013

1 standards was a 25 percent, you know, sort of  
2 improvement in energy efficiency, but it comes with a  
3 certain cost in the form of complexity.

4           And so the thought was, look, we've got to -- if  
5 we expect CSLB to play that -- at least sort of enforce  
6 to their licensed contractors, you know, code compliance  
7 and take that seriously, and dedicate some resources to  
8 it because they have resource restraints, and we want  
9 them to be a partner with us, then we need to not have  
10 it be that they show up to a site and just find a whole  
11 bunch of people that really don't understand the code  
12 and have to enforce on that, you know, for example.

13           We need to sort of create the conditions of  
14 success, rather than sort of -- yeah.

15           So, I think we do need to take seriously the  
16 complexity problem and get, essentially, a permanent  
17 road show that goes around the State to building  
18 departments, contractors, you know, at education  
19 training centers, community colleges and stuff to really  
20 make that and have -- as we already do, actually, just  
21 have resources that people can call up when they're  
22 trying to comply with code and they legitimately don't  
23 know what to do, that they can get help quickly and  
24 easily.

25           So, really make code kind of more available, and

1 clear, and functional in practice. And that could go a  
2 long way to sort of making sure that when somebody gets  
3 caught, you know, being a "bad actor" that they actually  
4 are bad, and they're not just sort of confused. You  
5 know, good intentions, but not executing very well,  
6 right.

7           So, you know, as Dave said, we don't have the  
8 actual authority to enforce Title 24. That's why the  
9 Attorney General is mentioned in here because we would  
10 have to refer it to them, essentially. If we find a big  
11 problem and we need to fix it, we don't have the  
12 authority to do that enforcement.

13           So, the Das Williams Bill was trying to give us  
14 that authority but then there's -- you know, it's a  
15 difficult thing to get done and I think there are lots  
16 of things short of that, that we can do in the near  
17 term.

18           So, you know, and the legislative process is not  
19 anything that we actually control, right.

20           So, we need to do -- I agree we have a lot of  
21 existing authority and how do we kind of best kind of  
22 exercise it? Where do we need to dedicate resources?  
23 Where can we sort of go argue for those resources and  
24 try to stir -- try to create what's necessary?

25           Because the reason this is in no regrets is

1 because it's not something that fits squarely in the PUC  
2 realm, or the cost-effectiveness criteria, and sort of  
3 the stakeholders in that process. It doesn't map  
4 directly onto it.

5 So, you know, I think as the Commission we're in  
6 a good -- as the Energy Commission, we're in a good  
7 position to step in and fill whatever those gaps are.  
8 But we need to know what they are and you guys need to  
9 tell us, sort of precisely, what you think they are so  
10 that we can design the right initiative to fill it.

11 So, really, I think you're on target there.  
12 And, you know, again, the devil's kind of in the  
13 details. We need to figure out what's the highest value  
14 thing that we can do in this realm. So, it would be  
15 great to sort of hear, you know, even more about how you  
16 see that.

17 MR. HODGSON: Simon, do you have a comment,  
18 because I have a couple of follow ups.

19 MR. BAKER: I just had a question. I appreciate  
20 the suggestion about how data could be gathered about  
21 the rate of permits being pulled, and I really hope that  
22 we can work together to pursue that.

23 But the second question that you had earlier,  
24 Commissioner McAllister, it's one thing to estimate the  
25 rate of permit compliance, another is to estimate the

1 energy savings that result from that.

2 And yes, the Title 24 process does estimations  
3 of the energy savings associated with retrofits.

4 But I think it's another thing to then attempt  
5 to go out in the field and make estimations of what the  
6 energy savings are out there in the field, as installed.

7 Do you have any thoughts on the feasibility of  
8 gathering data on that second question?

9 MR. HODGSON: Yeah, I have lots. There's a very  
10 good opportunity to do that in the existing market. So,  
11 as we are going out and improving homes, whether it's  
12 just a ceiling insulation, or a deep retrofit, we should  
13 be able to gather the pre- and post-Smart Meter data.  
14 And to me that's proof of the pudding.

15 If you can monitor those things, then you can  
16 really find out what the actual energy savings is.

17 And the Fresno program is doing that, they're  
18 trying to baseline the homes with Smart Meter data,  
19 following that up with actual data after the fact, after  
20 the improvement's been made.

21 On the new construction side you don't have that  
22 opportunity. You have, basically, an estimate of what  
23 energy you should be per Title 24, and then you have  
24 occupancy, so at that time.

25 But, you know, there's kind of two issues of

1 compliance here. One is the retrofit side of compliance  
2 and then there's the new side of compliance that I  
3 appreciate the complexity. You keep me employed because  
4 of the complexity and I appreciate that.

5 We do a lot of training throughout the State and  
6 we have done for 20 years, I appreciate that, too.

7 But in addition to that the Commission, in my  
8 personal opinion, doesn't take the action to do  
9 enforcement. And you don't have to go out and shut down  
10 a jobsite. You just have to go out and be visible, and  
11 tell people they're not doing things correctly.

12 The homebuilders as a group, as a trade  
13 association, which you know I represent a lot, wants a  
14 level playing field, just like the gentleman from IHACI  
15 said.

16 They want the standards to be the same for  
17 everybody so they can compete based on value and price.  
18 And they're not now, and they haven't been for my  
19 livelihood.

20 So, what we need to do is see -- I think we  
21 would like to see some serious intent at enforcing the  
22 standards that you promulgate.

23 And I'm not saying you're not serious. I'm just  
24 saying there could be more effort and that could make a  
25 huge impact. And we'd be happy to give you ideas on how



1 to do that.

2 COMMISSIONER MC ALLISTER: So thanks very much.

3 And before Joseph, I guess, so my question was so  
4 certainly, you know, monitoring impacts pre and post of,  
5 you know, a given upgrade great practice, you know,  
6 building that into the system would go a long way.

7 I was really just referring to the savings, the  
8 difference in savings between an unpermitted project and  
9 the same project permitted, right.

10 MR. HODGSON: Yeah.

11 COMMISSIONER MC ALLISTER: So, you know, I think  
12 there is a gap there, but I don't know how big it is, or  
13 how uniform that gap is. You know, I think there's just  
14 a lot of -- there's a lack of information there.

15 So it would be nice to know -- I mean there's  
16 all sorts of reasons why permitting's a good thing,  
17 health and safety, building -- you know, local  
18 government revenue, you know, just there's all sorts of  
19 stuff that would be good to have. You know, that would  
20 flow from having higher permitting.

21 But, you know, what the actual savings kind of  
22 are associated with that, closing that permitting gap I  
23 think is -- you know, it would be good to have your  
24 insight on that.

25 And I think Joseph thinks -- I mean you already

1 said you thought it was large.

2 MR. OLDHAM: Well, it is large, Commissioner.

3 One of the exciting things that we're doing right now  
4 and in very close collaboration with PG&E, we're  
5 actually working very closely with our community energy  
6 manager, some of the new data tools that they're  
7 developing and enhancing, to actually look at all of the  
8 homes that we've surveyed, looking at their energy usage  
9 patterns pre survey, post survey.

10 I think there's a real opportunity for us to  
11 understand, you know, because we can drill down into  
12 that data, we know which homes we suspected had HVAC  
13 units that were installed unpermitted.

14 We may be able to, as we evolve this  
15 collaboration, be able to dive into it and begin to then  
16 make some good comparisons on those homes that have a  
17 new HVAC unit installed, but didn't do it through a  
18 permit, versus one that did. You know, mostly --  
19 probably a project that used Energy Upgrade California,  
20 done by a home performance contractor, that sort of  
21 thing.

22 So, I think there's some real opportunities.  
23 This is an evolving process with us. I'd say stay tuned  
24 and maybe six months from now we may be able to give you  
25 a much better answer.

1           COMMISSIONER MC ALLISTER: That's great, so  
2 let's definitely continue this discussion.

3           I guess I have a specific question in that  
4 regard. Now, how many -- do you have a sense for how  
5 many self-installs sort of resulted from the, you know,  
6 auditing program that you put in place under ARRA? You  
7 know, for a project that didn't appear like as a closed  
8 sale, or a conversation, do some significant chunk of  
9 those do something, themselves, and how do we -- do you  
10 even know about them?

11          MR. OLDHAM: Well, we did do a survey under the  
12 ARRA-funded program last year. We did find a  
13 significant portion of homes had done retrofit work that  
14 involved HVAC replacement. We did check and found in  
15 most cases those were all permitted projects, so we were  
16 encouraged by that.

17          Really, the projects that we ran into and  
18 continue to run into are ones where the homeowner did a  
19 retrofit, or had an HVAC unit replaced a year or two, or  
20 so prior, their bills are still high. They're  
21 dissatisfied with the fact that they weren't seeing the  
22 savings that they thought they were going to get.

23          They call us up to come out and check the house.  
24 We find that, you know, the duct work is leaking, you  
25 know, 20, 30 percent, there's insulation missing,

1 sometimes there's damage to duct work because of the  
2 installation work, and that sort of thing.

3           So, you know, I don't have a hard number to give  
4 you right today, but I know that through this effort  
5 that we're doing with PG&E we should be able to provide  
6 some very interesting data we hope here in the next six  
7 months that it will, you know, hopefully, provide much  
8 more information to all of us as we move these programs  
9 forward.

10           MR. ASHUCKIAN: Any more comments in the room?

11           Okay, we have George online.

12           MR. NESBITT: Can you hear me?

13           MR. ASHUCKIAN: Yes.

14           MR. NESBITT: Yeah, George Nesbitt, HERS rater.

15           I think we care more about compliance than  
16 permitting. That's what we ultimately want is  
17 compliance. And I have a lot of experience with  
18 permitted projects where the question has not been  
19 asked, well, is what you're doing -- does it comply with  
20 the Energy Code.

21           Or the inspector comes out and the fact that  
22 things aren't what they say on the Title 24 CS1R, it  
23 doesn't matter. They don't know. They don't know the  
24 difference, they don't care, or whatever, to not getting  
25 installation certificates before final.

1           So, you know, I do think in general increased  
2 permits is going to lead to increased compliance,  
3 especially on the HVAC. And I think the savings on the  
4 HVAC are probably the largest single source.

5           And I think part of the problem is, as others  
6 have said, is the Energy Code is too complex. Maybe  
7 it's not so much the code is, well, complex, the stack  
8 of papers that you really have to read and understand to  
9 apply the code is way more than most people are going to  
10 do.

11           And I think someone mentioned the liability on  
12 the insurance and this actually ties back to disclosure,  
13 too. So, you go to sell your house, you have a lot of  
14 unpermitted work, home inspectors actually often will  
15 point that out, and that can actually, also affect you  
16 there, that you've got all this undocumented work and,  
17 you know, that can affect the value of your home,  
18 potentially and or, you know, there's going to be things  
19 that need to be corrected.

20           We also need to educate homeowners to demand,  
21 especially on the HVAC change outs, permits and  
22 compliance with the HERS testing.

23           They need to see the value of it. You know,  
24 because otherwise they're just -- you know, they're  
25 willing to save a buck, but they don't realize it's

1 going to cost them a lot more.

2 And, yeah, I think that pretty much does it for  
3 now. Thanks.

4 MR. ASHUCKIAN: Thank you.

5 Tiger.

6 MS. ADOLF: Tiger Adolf, Building Performance  
7 Institute. In terms of streamlining, both at the  
8 licensing and the permitting, you might want to  
9 consider, especially in terms of workforce development,  
10 seeing if you can collaborate to have a special license  
11 and a special permit for those high-performance  
12 contractors that have committed to educating their  
13 staff, perhaps that have professional certification on  
14 their staff, and are even participating in ongoing  
15 quality assurance programs that can communicate and  
16 report back with the State.

17 So that would somewhat lighten the load on CSLB  
18 and on the local jurisdictions to do some of those  
19 inspections because you would have additional feedback.  
20 But it would also help raise the bar on the training  
21 levels. So, it's a consideration.

22 I was initially thinking in terms of just whole  
23 building contractors that are doing really performance-  
24 based stuff, but it could apply to the HVAC contractors,  
25 as well, that they're voluntarily raising the bar on

1 themselves, and get a lower cost or a simplified permit  
2 and a lower cost, simplified license to address those  
3 more comprehensive kinds of jobs.

4 If you can make it easier for them, they're more  
5 competitive that way.

6 MS. COLLOPY: Thank you.

7 Any more questions in the room or on the WebEx  
8 before we move on to general comments and discussion?

9 COMMISSIONER MC ALLISTER: I guess I would like  
10 to just -- so there are -- on this, you know, we're  
11 talking about, essentially, a contractor-driven -- in  
12 large part, not completely but, you know, contractors  
13 are -- we know they're a key link to bringing the  
14 service to the customer, getting the deal done and doing  
15 a good job.

16 So, there's 16,000 HVAC contractors in  
17 California, roughly. And, you know, that many of them  
18 have really -- they're just not engaged in this  
19 discussion, and so most of them, the vast majority of  
20 them, right.

21 So, how do we create opportunity with those  
22 folks? I mean how do we communicate with them, approach  
23 them in a positive way? You know, certainly there's  
24 going to have to be a stick somewhere on the horizon.  
25 But, you know, get them to understand that they can help

1 bring good service to their customers by offering this  
2 education, knowledge, you know, prospect for -- you  
3 know, assurance that they're doing a great job, the  
4 right certification, all that kind of stuff.

5           So, we're not going to get all of them, but how  
6 can we just vastly increase their conscientiousness as  
7 far as -- well, I don't want to laden this with value  
8 judgments, I just want to -- you know, how do we offer  
9 them ways to help their business by doing quality work,  
10 right.

11           So, I don't know the answers and that's why I  
12 think that's really, you know, kind of a -- that's a  
13 really important nut we have to crack on this if we're  
14 going to have happy customers asking for good jobs.

15           So, anyway, I want to throw that out there and  
16 any solutions you have for this or approaches for  
17 finding solutions, you know, forums, any kind of  
18 resources that could help this happen I think -- and I  
19 know, many of you are working on that, and there's some  
20 activity at the utilities and, you know, there's some  
21 active discussions on this.

22           But just want to see if there's a -- you know,  
23 if there's an idea or two on this front that bubbles up  
24 that we could highlight in the Action Plan and help  
25 focus attention on it, that we can then leverage to take



1 it out there and make it happen. So, I feel like it's  
2 an opportunity to do that so thanks.

3 MR. ASHUCKIAN: Okay. We have on our schedule a  
4 break right now and then open it up for discussions and  
5 I just wanted to get a check. We're thinking maybe we  
6 open this up right now and have general discussions,  
7 talk about gaps, maybe Gina can come up and talk, and  
8 just keep on moving and then call it a day. Does that  
9 sound okay with everybody?

10 MS. COLLOPY: Will that work for the room?

11 MR. ASHUCKIAN: All right. So, we're opening it  
12 up to general comments on any topic. Gina, would you  
13 like to start with what you were going to talk about  
14 this morning?

15 MS. GOODHILL ROSEN: Yeah, and I meant to say I  
16 was -- I know I said it yesterday, but overall I do want  
17 to say, again, that it's very exciting to have this  
18 Action Plan. I know that there was a lot of work put  
19 into and we really do appreciate it.

20 I think some of this was not in the Action Plan,  
21 but through verbal comments it seems like it's already  
22 going to be address, but I just want to put it out there  
23 in case.

24 The first being that there really, strongly  
25 think there needs to be numerical, quantifiable goals in

1 the plan. It was mentioned, but not listed as one of  
2 the gaps. So, I just want to put that out there, both  
3 in terms of what we -- you know, if we can't measure it,  
4 we don't know if we succeeded or not.

5 But then, also, I think it will really help in  
6 terms of working and integrating it with the other plans  
7 that we have throughout the State.

8 On that same note, the first phase one, it seems  
9 like there's a clear timeline, it ends basically when  
10 the final Action Plan comes out. But I didn't see dates  
11 or timelines for anything else in the plan.

12 So, including dates and timelines, not just for  
13 the three phases, but for the different strategies in  
14 the phase would be really helpful. And once again, I  
15 think just in the vein of transparency and in the vein  
16 of knowing if we're doing our job right.

17 Another thing that I think should be overall a  
18 gap in the plan is I'm really impressed with having the  
19 CPUC here and having such clear collaboration. I really  
20 didn't see that same type of collaboration with the  
21 POUs. And I know that it's more complicated,  
22 definitely, but it needs to at least be addressed.

23 You know, as you mentioned in the report, 24  
24 percent of our electricity, I think it was, comes from  
25 the POUs and there really needs to be -- even if it's

1 not something that the CEC can regulate or can oversee  
2 directly, some attempt of this is what we're going to do  
3 to work with them.

4 I don't know if there was any thought to having  
5 someone from DWP on the L.A. agenda, at the workshop.  
6 There isn't currently. But even having someone there,  
7 you know, sitting to think about like here's what we're  
8 planning to do in Los Angeles, which has a huge POU  
9 would be really helpful.

10 COMMISSIONER MC ALLISTER: That's a great point,  
11 actually. I just want to highlight that.

12 And, you know, there were some folks there  
13 yesterday from the POUs, but I think --

14 MS. GOODHILL ROSEN: Oh, yeah, Marin was there,  
15 I noticed Marin.

16 COMMISSIONER MC ALLISTER: Okay, yeah, David  
17 Jacot is the lead of energy efficiency, the lead IP.  
18 He's been invited tomorrow.

19 MS. GOODHILL ROSEN: Great.

20 COMMISSIONER MC ALLISTER: I don't know if he's  
21 on the agenda. I don't think so.

22 MS. COLLOPY: He's not on the agenda, but we  
23 have invited him.

24 And the comments Jonathan Changus made  
25 yesterday, we've actually already scheduled with him to

1 talk about that.

2 MS. GOODHILL ROSEN: Great.

3 MS. COLLOPY: So, we hear you on that and we  
4 definitely want to make sure we're looping them in and,  
5 yeah.

6 MS. GOODHILL ROSEN: And David will probably say  
7 the same thing. We met with him a few months ago just  
8 to ask him on other things, what's your plan for 758?  
9 And his response was we're really just waiting to get  
10 the lead from the CEC.

11 MS. COLLOPY: Okay.

12 MS. GOODHILL ROSEN: So I definitely think  
13 that's where their head is, as well.

14 COMMISSIONER MC ALLISTER: Yeah, I mean I think  
15 this is a --

16 MS. GOODHILL ROSEN: Yeah.

17 COMMISSIONER MC ALLISTER: And, you know, a  
18 similar conversation is happening across the board with,  
19 you know, sort of the Prop 39 implementation now that we  
20 kind of know what, generally speaking, that's -- at  
21 least we know what kind of the responsibilities are,  
22 now, associated with that.

23 And trying to figure out, okay, well, you know,  
24 how those are going to be coordinated with the existing  
25 programs and sort of leveraging the schools' programs,

1 the IOUs, the POUs, and how the pieces fit together.

2 And I think we have not exactly the same, but a  
3 similar discussion to be had with the POUs on 758.

4 And I think, you know, before -- we really ought  
5 to build them in and get their thought leaders, you  
6 know, as it were, into our discussion before we finalize  
7 this thing so that we can kind of have some level of  
8 consensus about the approach forward because it's  
9 important.

10 It is important to have them buy in, and in  
11 order to have them buy in, sort of have --

12 MS. GOODHILL ROSEN: They need to partner in.

13 COMMISSIONER MC ALLISTER: -- them be a partner  
14 in determining what the initiatives actually are so --

15 MS. GOODHILL ROSEN: Great. I think that's it.  
16 Let me see, yeah, thanks.

17 MR. JONES: Daniel Jones from Honeywell. I also  
18 kind of represent the WHPA, as well. I'm a Chair of the  
19 Workforce, Education and Training for Service and Sales,  
20 as well. So, I really have that hat on when I'm here.

21 So, please take all my comments and everything  
22 in that vein.

23 I'm going to kind of bounce around because I was  
24 at yesterday's meeting, as well. Decided to go ahead  
25 and cut out early and drive down here to Fresno because

1 I wanted to be here today, because a lot of the things  
2 that you guys were talking about are all very  
3 applicable, and not just for the commercial side.

4 I am in the commercial side for Honeywell,  
5 commercial contractor development. Basically, taking  
6 care of the channel and that goes contractors all the  
7 way down to consulting engineers, end-users as well.

8 So, I pretty much cover Bakersfield to the  
9 Oregon border and the State of Nevada, as well.

10 So, I'm going to bounce around and the first  
11 topic is programs. Giving you just ideas, one of the  
12 things that -- and I think we've learned from the QM180  
13 program is that, really, all the stakeholders need to be  
14 involved right from the get go because that cuts the --  
15 the feet-on-the-street implementation down of a program  
16 when all those stakeholders, no, God, that's not going  
17 to work for us, man, are you kidding.

18 You know, utilities, IOUs, POUs, you aren't  
19 contractors. Some of the employees may have been  
20 contractors but, you know, there's sometimes a  
21 disconnect between the overall energy efficiency goals  
22 and to what really has to be done down on the street  
23 level.

24 And I think that's an important thing, to when  
25 any new program comes into play, I think Mr. Pennington

1 said it, all the stakeholders need to be involved in  
2 this. It's key.

3 Again, you know, some lessons learned from  
4 QM180.

5 And also, for the programs that you're talking  
6 about, like for playing fields, not so much the  
7 programs, but also if you level a playing field that's  
8 where that all boats will rise. But you have to make  
9 sure that the trunk slammers, that's what they're  
10 called, that's a term that, you know, the industry calls  
11 them. These are the folks that cruise around going I  
12 can take care of your rooftop, you know, for \$35 every  
13 three months.

14 You know, there's no way in heck you can do  
15 that. You can't go through the ACCA, you know, QM, you  
16 know, AQ, QM standard -- or I say QIQM, quality,  
17 installation and maintenance.

18 You can't go through all of those things and  
19 only charge someone 35 bucks every three months. It's  
20 impossible to do.

21 So the thing is you have to raise that standard  
22 up so there's no chance to do that anymore, whether  
23 that's through mandatory things or whatever, I don't  
24 have all the answers.

25 So, you know, the same thing with like

1 permitting and compliance, you know, the property -- you  
2 know, like tipping points, the things where things are  
3 happening. Those are wonderful points to do some of  
4 those incentives, some of those opportunities to like,  
5 you know what, it's 30 years old, you know, take out  
6 that boiler. All right, that HVAC system, let's see,  
7 you installed it in your house in 1969? Sorry, you  
8 can't fix it. That's not a volunteer thing at that  
9 point.

10           So, you've got to say, well, here's the standard  
11 that you have to at least go to, just some ideas and  
12 throwing this out.

13           So, that goes for compliance, and mandatory is a  
14 driving force, it really is.

15           I mean, the volunteerism where you talk about --  
16 you know, already we're talking about the compliance and  
17 the permitting 10 percent, that's pretty tight.

18           Before I worked at Honeywell I was an energy  
19 efficiency specialist working for one of their programs  
20 that I think Christine was talking about earlier. You  
21 know, and part of the program is that you had to have  
22 training.

23           It's that, you know, 90 percent of my job as an  
24 energy efficiency guy was explaining what the heck I was  
25 trying to do for them and, you know, why I want to do



1 that. I was a third party so, you know, we actually had  
2 contractors that we worked with.

3 That's where kind of the third party comes in  
4 and adds a little bit of street credit. Well, yeah, I'm  
5 just the guy that does it. I don't get any money from  
6 doing the job. I'm just saying just go off and do this.

7 So, there's a lot of those, you know, compliance  
8 things along the way, as well.

9 Marketing outreach consistency, again thank all  
10 of you for putting this together and making sure that  
11 the forums are out there to do this.

12 I was talking to Christine earlier that the WHPA  
13 is a wonderful resource for all of you to do this,  
14 they're incredible people on my committee. I was  
15 telling Christine, like I'm the dumbest kid in class,  
16 you know, and I'm the Chair.

17 And so it's people from ASHRE, ACCA, just all  
18 over that can help move this dialogue forward. And so  
19 just, yeah, keep these conversations going because I'm  
20 going to invite some of my constituents going, hey, by  
21 the way you missed it. You didn't hop on. You know, I  
22 told you about it, you should go next time, because a  
23 lot of these folks are even more verbal than I am.

24 And then just kind of as an aside, when I was  
25 doing the energy efficiency work I would -- you know,

1 someone would go, oh, Daniel, we're going to be putting  
2 in some solar stuff, hey, you know, what do you think  
3 and everything else?

4 Well, did anybody come in and tell you to like  
5 get rid of these lights or, you know, what about that  
6 HVAC system, when did you put that in, Joe? Oh, I don't  
7 know, '75, '78, something like that.

8 Okay, all right, did those solar guys tell you  
9 that you should look at that stuff? Oh, no, no, he just  
10 wanted to sell me something.

11 So, of course, I basically told him, you know,  
12 whoever that person or company was just throw them out  
13 and never talk to them again, even if your kids go to  
14 soccer together, right. Because that's the first thing  
15 you should do.

16 So, maybe part of one thing that I think would  
17 just be mandatory and, again, this is just my own  
18 personal opinions here. Before any solar system gets  
19 installed, you've got to go energy efficient because  
20 otherwise you're just shooting yourself in the foot.

21 What are you spending all this money for on a  
22 house, or on a business, or whatever that's never gone  
23 through an energy efficiency?

24 The only people winning out is the solar company  
25 that's selling just a boatload more than what they

1 really need. Thank you.

2 MS. COLLOPY: Is there anybody else in the room  
3 that has any general comments about topics that we  
4 either discussed yesterday or we have planned for  
5 Friday? Joseph?

6 MR. OLDHAM: Just one general comment. What we  
7 see when we go and talk to homeowners on a daily basis  
8 is just a huge difference in viewpoint from when we  
9 attend meetings like this one, or the State Energy  
10 Efficiency Best Practices forum last week.

11 The public and the rest of us that are trying to  
12 implement energy efficiency programs are about 180  
13 degrees out.

14 And so, you know, this is not -- it's not an  
15 easy sell. People don't know what's in their attic.  
16 They don't know how their systems are performing. All  
17 they care about is they're writing a check. Or they're  
18 turning on a switch. If it works, they're okay. If  
19 they can pay the bill, they're fine.

20 So, I would just really encourage the  
21 Commission, both Commissions, the CPUC and the CEC, this  
22 needs to be -- this whole conversation needs to be  
23 elevated much higher in terms of visibility within the  
24 public.

25 The whole ME&O, the whole marketing, education

1 and outreach component is huge.

2           We've done focus group testing in Fresno, in  
3 Kern County multiple times. Even over the course of the  
4 last two years, when we were administering the CEC-  
5 funded Home Energy Tune-Up Program last year, we thought  
6 surely when we came back, after we expended so much  
7 marketing money, and did so much effort at outreach that  
8 surely a year later people would have a much better  
9 view. They'd recognize Energy Upgrade California.  
10 They'd recognize that the city had been funding an  
11 energy efficiency -- or been working on an energy  
12 efficiency program.

13           That was not the case. The focus group testing  
14 last November showed clearly a lack of visibility for  
15 all of these programs. We get this constantly, people  
16 calling us about program confusion.

17           Well, is this PG&E? No, we're the City of  
18 Fresno. Well, PG&E referred us over to you. We want  
19 you to come out and fix something in our house.

20           They don't understand about the low-income  
21 programs. They don't understand about energy  
22 efficiency.

23           The focus group testing in Kern County, one of  
24 the responses to a question that we asked in the focus  
25 group was, well, why do you think you should invest in

1 energy efficiency?

2 The response was, well, if I invest in energy  
3 efficiency then I can use more energy later. It's  
4 clearly a disconnect, clearly a disconnect.

5 So, I would just strongly encourage all of us,  
6 we've got to do -- we've got to continue this work,  
7 we've got to keep pushing on it. It's huge. This city,  
8 alone, uses over 3 billion kilowatt hours of electricity  
9 annually.

10 We have 75 percent of the homeowners in Fresno  
11 are in Tier 5, 75 percent. And 50 percent of those  
12 homeowners in Tier 5 are on the CARE Program.

13 And we know this as a fact because we've looked  
14 at this data from PG&E. We know that this is our case.  
15 We know that this facility sits in one of the areas of  
16 highest energy efficiency opportunity in this city but,  
17 yet, this is some of the newest home development that we  
18 have here.

19 So, the scale of this problem is huge. And  
20 we've got to do a better job of educating the public on  
21 the urgency of this matter. Because if they don't feel  
22 it's urgent, they won't take the action. We won't get  
23 the voluntary participation in the programs and the  
24 mandatory measures are going to meet stiff resistance,  
25 both at the local level and at the State level.

1           So, I just throw that out there as a closing --  
2 as my closing comment.

3           COMMISSIONER MC ALLISTER: Can I actually sort  
4 of follow up a little bit on that?

5           MR. OLDHAM: Sure.

6           COMMISSIONER MC ALLISTER: So, I guess I would  
7 be interested to hear -- so I think local government is  
8 such a key actor in all of this. You know, it's not  
9 just because of the building department. It's really  
10 because of setting the tone in your communities.

11           And I guess I would wonder, I would ask, you  
12 know, what roles your local electeds have taken, how  
13 you've enlisted them to help message and get the message  
14 out, so locally.

15           But then also how much buy-in do you feel like  
16 you have or need -- and certainly I would appreciate  
17 that, being in Sacramento, from your statewide elected,  
18 you know, your Assembly members and your Senator?

19           It would be good to kind of, you know, talk  
20 about, okay, well, if your -- if your representatives in  
21 Sacramento sort of understood the demographic and sort  
22 of what you just described with energy consumption  
23 patterns, and stuff, then maybe they would also elevate  
24 it in priority and sort of get behind it in an overt  
25 way.

1           It really depends on what their particular  
2 issues are and what their priorities are.

3           But also, just have you leveraged your local  
4 electeds to kind of help you get the word out that these  
5 resources are available and to get people on board?

6           MR. OLDHAM: The quick answer to that is yes, we  
7 have. Very fortunate that we have a mayor and city  
8 council that strongly supports the work that we've been  
9 doing.

10           We've been doing outreach up and down the five-  
11 county area that we've been operating in. In fact, even  
12 beyond that five-county area. We've gone up and done  
13 presentations in Merced, been to forums in Stockton,  
14 other locations all over the State.

15           That's the wonderful news. That's the great  
16 news that we have these electeds' support.

17           We go out and we do forums with the elected  
18 officials at some of their community engagement  
19 meetings. I've done that here locally. That's gone  
20 over well.

21           I've spoken before other city councils, helped  
22 them understand the scope of these issues. We've  
23 basically done community greenhouse -- well not -- city  
24 operation greenhouse gas inventories, helped them  
25 understand the impacts of energy use through those

1 inventory projects. So, that work is ongoing.

2 And then PG&E has taken a very active role at  
3 rolling out their Community Energy Summaries. In fact,  
4 their government relations folks have gone around to  
5 every single local jurisdiction in their service  
6 territory and in the San Joaquin Valley, done  
7 presentations. The Energy Summaries that they can use  
8 now, using the Tableau software, are just really great  
9 tools to help educate the local electeds on this.

10 And we are getting a lot of questions from local  
11 electeds what can we do? What more can we do?

12 And we have full support from these elected  
13 officials for us operating our regional scale programs  
14 within their jurisdictions. They don't have any issues  
15 with us doing that at all. So, that's really good news.

16 We have elevated -- the mayor, our mayor has  
17 elevated this issue with the Governor, and with our  
18 representatives on the Legislature. She preaches this  
19 message wherever she goes and she's getting a lot of  
20 traction, I think, with that.

21 Fresno is being -- the valley is being  
22 recognized as an area that's trying to take some real  
23 action to correct the problems that we have here.

24 We know that we have energy poverty here. We  
25 know that it's part of our economic dilemma because we



1 live in this climate that is quite severe during the  
2 summertime. And the cooling loads on our citizens are  
3 very high. So, we are -- there is a wide recognition of  
4 this issue.

5 COMMISSIONER MC ALLISTER: Just one more quick  
6 query. So, multi-lingual efforts, I imagine you have a  
7 lot of pretty heavily Spanish-speaking here.

8 MR. OLDHAM: Absolutely.

9 COMMISSIONER MC ALLISTER: So, I guess what have  
10 you done along those lines to try to sort of bring  
11 diversity in your participation?

12 MR. OLDHAM: Well, the program that we are  
13 operating is bilingual. We have a Spanish-speaker on  
14 staff. We've set up a Spanish-only call-in line. We  
15 work actively with PG&E's low income programs. We have  
16 all of their contact information, all of that.

17 And right now we're experimenting with some  
18 Spanish language television marketing in the Bakersfield  
19 market to see how effective that's going to be to reach  
20 the Spanish-speaking community in Kern County.

21 It's, so far, showing great promise. Our call  
22 volumes for the service has really gone up significantly  
23 and we're looking forward to trying to duplicate that  
24 here in the Fresno market and see if we can be equally  
25 successful so, yeah. Thank you.

1           COMMISSIONER MC ALLISTER: Thanks very much for  
2 all your effort.

3           MR. BACHAND: Mike Bachand from CalCERTS. On  
4 the marketing and education outreach of consumers, I can  
5 tell you from our data, our quality assurance process  
6 shows quite a different reflection in consumer  
7 willingness to -- and understanding of the process from  
8 Northern California to Southern California.

9           In Southern California we struggle to get into a  
10 person's home to do the QA on the rater. I guess you  
11 know the process. For those of you that don't, it's  
12 very quick.

13           We make a phone call to a homeowner who's had a  
14 job done, who has also had a rating done, and this is on  
15 the existing homes, the alterations. And we ask that  
16 person if we can come in and test their system.

17           And we get a much stronger response in Northern  
18 California for various reasons. And I don't actually  
19 know all the reasons and I'm not sure we're told the  
20 truth every time on the phone on why they don't you in  
21 there. The house is a mess. The kids are raising hell,  
22 whatever.

23           (Laughter)

24           MR. BACHAND: Sorry. Sorry, I was thinking of  
25 my own life, pardon me.

1 (Laughter)

2 MR. BACHAND: It jumped in there for a moment.

3 Anyway, so I better stop there.

4 When we do that outreach and things we might  
5 need to take a different perspective in different  
6 regions of the State. Rural regions are very autonomous  
7 as you're -- I'm probably speaking to the choir here,  
8 but I want to get on record as saying that different  
9 approaches -- we shouldn't try to do a one-patch  
10 approach to educate the consumer because consumers have  
11 different things on their minds at different parts of  
12 the State, and so that should be taken into account.

13 I don't know exactly how to do that. That's  
14 going to be your problem, ultimately. But I think it's  
15 important in order to get quality results. Thanks.

16 COMMISSIONER MC ALLISTER: Yeah, I want to just  
17 reiterate that, you know, for example we've been talking  
18 most lately, last here about no regret strategy two, you  
19 know, permitting, enforcement.

20 But, you know, the number four under that is,  
21 you know, we've thrown it out there. We've said, you  
22 know, develop -- develop or adopt a statewide online  
23 permitting system.

24 Sam talked a little bit about some of the  
25 options there. You know, Simply Civic looks like a

1 great tool.

2 I guess, you know, how much should we be bending  
3 over backwards to help local governments bring a  
4 functional, online, sort of permitting -- you know, opt  
5 into a permitting system, either develop one or adopt  
6 one?

7 Is that something that really needs to be done?

8 Like I really -- if there's something else  
9 that's higher priority, I don't want to be -- you know,  
10 I don't want to be busting chops trying to make that  
11 happen if there's something else I should be doing.

12 So, I guess, you know, it's something that seems  
13 like it could be a good idea. I know that there's been  
14 quite a bit of effort by CCSE and others to figure out  
15 how to streamline solar permitting, and I think some of  
16 that is transferrable to this, but it's a broader  
17 discussion about permitting.

18 And local governments seem to vary a lot. So,  
19 maybe the smaller ones want this, others don't. I don't  
20 know.

21 But I think I really want to -- for example, you  
22 know, let us know where we're not -- where these are not  
23 your priorities because if they're not, we want to be  
24 doing the things that are.

25 So that kind of -- you know, I don't want to

1 just throw this out, it sounds like a good idea and sort  
2 of, you know, radio silence and we just assume that's  
3 okay and we move forward with it, because I think we  
4 really do need that sort of feedback.

5 MR. BACHAND: This is Mike at CalCERTS, again.  
6 I know you didn't ask me this question directly, there's  
7 a lot of people in the world.

8 But I do want to respond to that because there  
9 are several entities, people in the private industry  
10 right now working at their own expense, and their own  
11 time solving that exact issue.

12 It's an industry growth issue for many of the  
13 stakeholders. It's a statewide effort so it includes  
14 all the jurisdictions. So, you know, we're working on  
15 trying to get uniformity for that.

16 It's the number one priority we've been talking  
17 about, so that one item, that one initiative in that  
18 whole book will get, you know, miles and miles of  
19 improvement in energy efficiency, alone, if we  
20 accomplish it, and the sooner we do the better. It's  
21 very high priority and I know that a lot of people would  
22 agree with me. Thanks.

23 MS. COLLOPY: Thanks Mike.

24 MR. HUSAK: Hi, Aaron Husak, Balanced Comfort.  
25 We've heard it a couple of times and I think it just

1 needs to be reinforced again and again. It's the  
2 education is what it comes down to, both for the  
3 contractors and workers in the field, not just the guy  
4 at the head of the contracting company, but actually the  
5 guys that are going to have their hands in the ductwork  
6 and so forth, and as well as education for the  
7 homeowner.

8           We've heard some discussions about having kind  
9 of a traveling roadshow, if you will, for lack of a  
10 better term, to help educate contractors throughout the  
11 State.

12           But what I think would be more valuable would  
13 actually be regional centers to not only help assist and  
14 train contractors, but help homeowners understand what's  
15 going on.

16           I have the pleasure of working with the Fresno  
17 Home Energy Tune-up Program, as well as with ConSol, and  
18 I commonly go into homes where they're paying \$400 to  
19 \$500 a month and consider that normal.

20           They got either a report from their general home  
21 inspection when they bought the home that said the  
22 insulation was fine, or maybe they've even poked their  
23 head up in the attic and they see insulation.

24           But they have no understanding that if you have,  
25 you know, a two-foot or five-foot square gap in that

1 insulation now all of a sudden it's, you know, much less  
2 valuable.

3           So, I think the education component really needs  
4 to be there on both sides of the table in order to kind  
5 of progress the industry.

6           Okay, thank you.

7           MS. ADOLF: Tiger Adolf, Building Performance  
8 Institute. To just build on what both Mike and Aaron  
9 said, I think the in-store kiosk kind of thing would be  
10 brilliant. Not just to make it easier to pull the  
11 permit, but to also help homeowners understand that they  
12 have a responsibility to do that.

13           I think 90 percent of homeowners have no idea  
14 that they have a legal obligation to pull a permit.  
15 Their contractors don't tell them, won't tell them,  
16 charge them extra, and they don't know that ultimately  
17 it falls back on them either at the time of sale or, you  
18 know, potentially at some other time. If the contractor  
19 is caught, there could potentially be penalties for the  
20 homeowner, as well.

21           So, the more you can do to get that word out to  
22 them while they're looking and shopping, so they at  
23 least know to ask the question, the better that will be.  
24 I totally support that idea.

25           MR. HODGSON: Mike Hodgson, ConSol. A quick

1 answer, Commissioner McAllister, to your question about  
2 online permitting, I think it's a great idea. And I  
3 agree with Mike Bachand's comment there's many people  
4 interested in already doing that.

5           You have three private contractors who have over  
6 100 jurisdictions apiece under contract already to do  
7 all of the permitting outsourced, and so that's about 60  
8 percent of the market in California.

9           I don't know what it is permit-wise. That's  
10 jurisdiction-wise.

11           So, you could go to a very small group of market  
12 actors and encourage them, and tell them why you want to  
13 encourage them and not be responsible for the online  
14 permitting, but get it done.

15           The trick would be to get it done uniformly  
16 because they're all using different software. And  
17 that's where maybe the role of the Commission is here's  
18 how it should be done, and here are the players who are  
19 already doing it and have the skill set to do it.

20           I wanted to address the gap question.

21           COMMISSIONER MC ALLISTER: Ultimately, just to  
22 close out that topic, I mean ultimately this is a local  
23 jurisdiction issue. I mean we don't -- the building  
24 offices are in local jurisdictions and we can't really  
25 tell them what to do.



1 MR. HODGSON: Correct.

2 COMMISSIONER MC ALLISTER: I mean State law  
3 governs what they do but, you know, really it's all  
4 about the local jurisdiction doing it because it's in  
5 their own best interest.

6 And so what conditions need to be met for the  
7 local jurisdiction, you know, do the carrot and the  
8 stick appropriately and within their region.

9 So, I think this is another case where we can't  
10 do this by fiat, it really has to be a cooperative  
11 effort and we just want to help get it done.

12 MR. HODGSON: So, addressing the gap issue real  
13 quickly, first of all, I'll compliment you. I think the  
14 report is very good and I'm not one who compliments, so  
15 I have to remind myself to do it, I apologize.

16 (Laughter)

17 COMMISSIONER MC ALLISTER: Spoken like a true  
18 engineer.

19 MR. HODGSON: My children tell me that all the  
20 time.

21 However, I think what the CEC is missing and  
22 could be a very strong added complement to this report  
23 is you need to become, in my personal opinion, a market  
24 actor, and in the marketing side. You want training and  
25 education.

1           But we've all kind of touched on this in  
2 different ways. The analogy is how EPA brought forth  
3 Energy Star. I mean they came as an aggressive  
4 voluntary program with a very strong presence in the  
5 market, and complimented key market actors. Did they  
6 give them money? No, they didn't. Some of the  
7 utilities did, but the real motivation was I wanted a  
8 star or I wanted a seal.

9           You had, the Energy Commission had a similar  
10 program 15 years ago called Aces, which was  
11 complimenting and awarding building officials for doing  
12 a super job on enforcement. I'm not saying you need to  
13 go to that level.

14           But what I can see -- I mean those of us in the  
15 field, like Joseph said, the market out there doesn't  
16 think necessarily like the people in this room, right.  
17 And sometimes we're antagonistic to each other, and  
18 sometimes, a lot of times those of us in this room are  
19 antagonistic to each other.

20           (Laughter)

21           MR. HODGSON: But I think across the board we  
22 all recognize the Energy Commission's the leading think  
23 tank on energy efficiency west of the Rockies. I don't  
24 think there's any dispute about that.

25           We have the expertise. You have the expertise,

1 you're recognized, you're a neutral third party.

2           We've played that card with the local  
3 jurisdiction through Fresno very effectively and we  
4 think it's working fairly well, and we have results  
5 behind that.

6           I would love to see the Energy Commission come  
7 up and be more aggressive in their marketing to say  
8 here's why you should do energy efficiency. Here's a  
9 leading builder who does energy efficiency, I'm going to  
10 give them this gold star. And that's good, that puts  
11 you as a market differentiator and you have that power  
12 to do that.

13           There's nothing in the market today that  
14 differentiates us. How green can we be? We're all  
15 green, it's a State mandate.

16           How efficient can we be? Pick a number, I'll  
17 give you a rating scale, I'll give you any number you  
18 want.

19           I mean there's no market differentiation today.  
20 We're all energy efficient, we are. We have built very  
21 energy efficient homes, theoretically.

22           But there is really no good differentiator in  
23 today's market and homebuilders are looking for that,  
24 and so are contractors. They're looking for how can I  
25 be different, how can I be better?

1           So, you set up the rules. You know, do you make  
2   sure you're permitted, you're educated, you have a  
3   trained workforce, you have been inspected 25 times by a  
4   registry and you pass every time, boom, you get the gold  
5   seal.

6           That's valuable to the market. So, what you're  
7   allowing them to do is make more money. That's how we  
8   work is we try to make more money.

9           So, I think that's a role that you could address  
10   within this draft plan that would be very important to  
11   move the market.

12           COMMISSIONER MC ALLISTER: Thanks very much,  
13   Mike.

14           MS. WINN: Hi, Valerie Winn with PG&E. And I  
15   just wanted to actually thank my colleague from Fresno.  
16   It sounds as if there's a really good partnership going  
17   on in the Fresno area with, you know, reaching out to  
18   folks on energy efficiency, and I think that's a great  
19   message to carry to others.

20           As I've listened to a lot of the comments today,  
21   one thing that strikes me is, you know, we're looking at  
22   a number of different initiatives and a number of  
23   different ways to reach out to our customers.

24           And, you know, we hear from our customers that  
25   they don't want to have ten visits to their household

1 when they get energy efficiency measures.

2 And so, I think as we try to think, though, of  
3 developing programs that will work for our customers,  
4 let's think about how are we fixing the issues that need  
5 to be fixed and not simply creating new programs that  
6 don't work effectively.

7 And I think you understand that challenge. I  
8 think we've seen that in renewables. People used to  
9 think we'll just create another contracting mechanism  
10 and that's going to create more renewables. But, no, it  
11 never resolved the permitting issues. It never resolved  
12 the financing issues.

13 And so, you know, as we think about how to  
14 increase energy efficiency just that increased focus on  
15 where the challenges are and how do we overcome those.  
16 Thank you.

17 COMMISSIONER MC ALLISTER: Thank you, Valerie.

18 MR. JENSEN: Ben Thompson, go ahead, please.

19 Ben Thompson, are you there?

20 George Nesbitt, go ahead, please.

21 MR. NESBITT: Can you hear me?

22 MR. JENSEN: Yes.

23 MR. NESBITT: Yes, George Nesbitt. It's been a  
24 challenge listening in, even with volume turned up all  
25 day I've really had to focus. The only good news is I

1 haven't been able to do anything else and had to focus,  
2 although still miss a lot not being in the room, in  
3 person.

4 I think one of the things, it came up yesterday,  
5 and that, you know, affect our ability to actually move  
6 forward and perhaps should be addressed directly in the  
7 plan is sort of -- is the whole issue of consistency.

8 We have multiple agencies, the CEC, the CPUC,  
9 with different programs, with different processes. As  
10 well as CPUC's staff talked about the issue of having  
11 different programs or implementers, and then they have a  
12 hard time even parsing out or putting together data from  
13 them, putting it together in a way that they can  
14 understand it.

15 Energy Upgrade California, multiple  
16 administrators of what should be a statewide program,  
17 yet they have all recreated the wheel, spent a lot of  
18 time and money on different processes that don't  
19 necessarily work.

20 So that what we really need to address is sort  
21 of tearing down that Tower of Babel. We have to have a  
22 common language. We have to have consistency. We have  
23 to have a common process.

24 In fact, the whole -- the code that created the  
25 HERS rating system, the whole idea is to have a

1 consistent rating system. You know, so there is a  
2 system we have that has had a lot of investment, it  
3 collects data, and yet we create new programs with new  
4 ways to collect data, and they're not consistent within  
5 themselves.

6 So, we should probably address this directly  
7 because if we don't, it will interfere with our real  
8 ability to do what we need to do. It just makes it  
9 harder and more expensive. Thank you.

10 MR. JENSEN: Ben Thompson again, are you there?  
11 He wrote in a comment so I can read it here -- it's a  
12 comment and question.

13 So, this is Ben Thompson from Smart Builders,  
14 Inc., "With respect to the Energy Upgrade California and  
15 residential upgrade programs, the combustion safety  
16 testing requirements introduced a large amount of  
17 business uncertainty into each individual home upgrade.  
18 Could the CEC and CPUC consider a method to spread this  
19 risk across the program by introducing an insurance pool  
20 to fix things, like gas leaks and flue pipe problems  
21 that can potentially make an upgrade job go upside down?  
22 The uncertainty created by the CAS requirements are  
23 particularly difficult for small contractors."

24 Anyone want to address that?

25 MR. PENNINGTON: I thought Valerie should answer

1     that but --

2             MR. ASHUCKIAN:   But she's disappeared.

3             MS. COLLOPY:    So we have that comment in our  
4     record, thank you.

5             Is there any other comments in the room or on  
6     web?

7             MR. DE YOUNG:   Brandon De Young, De Young  
8     Properties here in Fresno, new home builder, and De  
9     Young Energy Makeover, we also do energy upgrades on  
10    existing homes, hence why I'm here.

11            Just wanted to make one comment, I don't think  
12    money is the only reason why people are potentially  
13    interested in this, as far as the public goes. I think  
14    comfort is one of the other huge things.

15            Almost all of the people that contact us looking  
16    for energy upgrades on their home talk about comfort as  
17    one of the main issues, if not the main issue.

18            So, for what it's worth, I just wanted to point  
19    that out.

20            As far as trying to market any of this, get  
21    stakeholders, you know, as far as the public is  
22    concerned to buy in on all this, comfort is a big deal.

23            COMMISSIONER MC ALLISTER:   Can I actually -- so  
24    I want to draw on that a little bit. So, this brings  
25    up -- perennially this brings up the issue of cost



1 effectiveness and like why are -- you know, ratepayer  
2 funding, you know, when you come back and say, oh, we  
3 created -- we used this ratepayer funding to create a  
4 lot of comfort that doesn't get you very far in the TRC.

5           You know, which is not to say that it's not an  
6 absolutely fabulous social benefit, along with home  
7 value and other things that it does, right.

8           And I guess I'm kind of wondering, so just apart  
9 from all those kind of, you know, pay-for-it issues, how  
10 do you market comfort effectively?

11           So, a previous house that I owned, you know, in  
12 Berkeley, a hundred-year-old house, fixed it up, did  
13 some -- you know, when I went in and fixed up a room,  
14 put in insulation, you know, replaced the double-hung  
15 windows and did all that kind of stuff, it's like night  
16 and day. I could no longer hear my neighbors arguing,  
17 you know, it's quiet, it's serene, my heater comes on  
18 less, you know, fabulous okay.

19           For all these comfort reasons, right, in  
20 addition to saving money and all that.

21           But you don't -- it's hard to transmit that in a  
22 conversation with your neighbor if you're not in the  
23 room saying listen to how -- you know, you were here  
24 before, now you're here now, isn't it like night and  
25 day?

1           So, how do you effectively market comfort in a  
2 way that sort of gets people to make that decision?

3           MR. DE YOUNG: Yeah, I don't know if I'm the one  
4 to answer this but I think it's a great question. I  
5 mean maybe visuals, the thermal imaging type of stuff  
6 sometimes resonates with customers when they're  
7 seeing -- you know, if you're in the summertime you're  
8 seeing this huge red block coming through the ceiling,  
9 you know, that might kind of drive the point home.

10           But I mean comfort's a feeling so I think the  
11 question is a tough one to answer because how do you  
12 describe that to someone who's maybe not already feeling  
13 it.

14           But if they're feeling it you can kind of  
15 explain that. Are you feeling hot all of the time and  
16 it doesn't -- your AC never gets to that cool level?

17           You know, so if you try and explain it in a  
18 clear way to them, the common problems when it comes to  
19 comfort, it makes it more clear for them, I guess.

20           COMMISSIONER MC ALLISTER: Well, do you find  
21 that word of mouth goes, like when you do a job then the  
22 happy, comfortable customer goes to their neighbor or  
23 goes to their friend and says, hey, I did this thing and  
24 it's changed my life, and do you get more work out of  
25 that?

1           MR. DE YOUNG: Because we haven't been doing  
2 this for that long, as far as the existing home stuff, I  
3 wouldn't be able to comment on that. But I'm sure  
4 there's plenty of other people in the City here that  
5 could help you answer that.

6           MS. COLLOPY: And there are. We have so many  
7 marketing folks that have been working on Energy  
8 Upgrade. They've been working on other programs. Lots  
9 of our budgets go toward marketing, education and  
10 outreach.

11           That's why it's critical to leverage. I mean,  
12 you know, it gets a bad rap because a lot of folks think  
13 that it's sort of a shameful word, it's something that  
14 we can't talk about.

15           But we have to do education and outreach. I  
16 always say you have to have contractors on one side and  
17 you have to have homeowners on the other. We're all in  
18 the middle.

19           And what we're trying to create doesn't matter  
20 if you don't have a homeowner buying and you don't have  
21 a contractor delivering.

22           And so if we do not leverage our messaging and  
23 if we don't leverage our budgets, we're never going to  
24 reach all of the existing building owners that we need  
25 to reach.

1           And so that's why when we have all of these  
2 firms that are on board, you know, we have to really get  
3 them to really be developing messages by climate zone,  
4 by health, comfort. Lots of different messages, but we  
5 have to really coordinate and leverage those.

6           And we just are doing ourselves a disservice and  
7 we're going through a lot of budgets unless we do that.

8           Are there any more folks in the room or on web  
9 who have any questions before we wrap up for today.

10          With none, all right, great, closing remarks.

11          Oh, let's do our -- let's do a reminder about  
12 next steps. Just I'll do those really quickly. I know  
13 everyone's getting tired.

14          So, just next steps, I'll just do those really  
15 quickly before Commissioner does some closing remarks.

16          Again, the final workshop Friday is in Los  
17 Angeles. We're at the UCLA Alumni Center talking about  
18 nonresidential issues, the voluntary and mandatory  
19 paths.

20          Public comment, you have two weeks from that  
21 last workshop on Friday, 4:00 p.m., Friday, July 12th  
22 for us to consider your comments on the record.

23          Please, again, pull the notice so that you can  
24 see where to mail those or where to e-mail those.

25          The revised Draft Action Plan will be coming out

1 later this summer. We are considering, if we get a lot  
2 of comments about gaps and if the report does change  
3 considerably, we will be workshopping again to consider  
4 those things before it does finally become adopted at  
5 the Energy Commission in fall of 2013.

6 Commissioner, closing remarks?

7 COMMISSIONER MC ALLISTER: So, I want to thank  
8 everybody for coming and participating, many of you  
9 yesterday, as well as today, and possibly even Friday.  
10 So far the discussions, I think, have been really  
11 fruitful. And this is a process. It's not going away  
12 anytime soon.

13 We really have to keep the hot topics alive and  
14 moving towards resolution.

15 I mean I really think, you know, both  
16 Commissions really need to be -- we need to be seen and  
17 we need to be partners in this process and really trying  
18 to make sure that that communication is open.

19 Because the markets change, they evolve  
20 sometimes very rapidly and we got to be rolling with the  
21 punches here.

22 And so the 758 Action Plan is a directional  
23 document, but it has to be a living document. It's just  
24 like the Long-Term Energy Efficiency Strategic Plan that  
25 has already undergone a couple of updates and it's going

1 to undergo another one here pretty soon.

2           So, you know, keeping it current, keeping the  
3 right stakeholders involved, learning from what we've  
4 done in the past, having the information available to  
5 make sure that we can quantify that, or really be sure  
6 about what we're learning, I think that's just critical.  
7 We keep talking about it.

8           And, you know, I certainly am committed to  
9 helping that happen. And so I really encourage you to  
10 keep in touch with our staff, my advisors, with Simon  
11 and his team.

12           When the light bulb goes on in the middle of the  
13 night and you want to sort of throw something out there  
14 that might be helpful, you know, in the process, get it  
15 off your chest and bring it to -- you know, bring it to  
16 one of us.

17           We know it's going to take a lot of great minds  
18 thinking in the same direction to really scale this to  
19 the extent that we think is possible, really.

20           And we have some challenges near term. I mean I  
21 think actually a lot of this -- you know, it's not just  
22 the CPUC and the Energy Commission. It's also the  
23 Independent System Operator. They focus on electric  
24 reliability, lots of the grid issues, the wholesale  
25 energy markets.

1           You know, what we're doing here at the ground  
2 level, behind the meter, on the demand side really  
3 impacts the State in very, very big ways. And it can  
4 enhance reliability, it can help us get over very, I  
5 think, healthily the fact that the San Onofre Plant is  
6 not coming back.

7           It can complement demand response and new  
8 technologies that do both efficiency and response, and  
9 demand response.

10           There are a lot of potential pathways going  
11 forward and we haven't talked about all of them here.  
12 And I think in the near term it's not necessarily, you  
13 know, a requirement that we do.

14           But what we're trying to create here is  
15 something that can incorporate new stuff as it comes  
16 along. So, I want to just be clear about the intention  
17 so you can hold us accountable for actually complying  
18 with that intention.

19           So, anyway again, thank you very much for coming  
20 and I'll give the mic to Simon to see if you have any  
21 closing remarks. And back to Dave and Christine.

22           So, thanks again for coming, really, really  
23 helpful.

24           MR. BAKER: Thank you, Andrew. Yeah, I would  
25 also like to echo the thank yous. Particularly, the

1 participation from everybody today has been outstanding.  
2 I think when we got here we were looking around the room  
3 and we thought to ourselves, gee whiz, I wonder if this  
4 is going to be a short workshop.

5 But I think there's something to be said for a  
6 smaller group. You know, people get up. They feel at  
7 liberty to perhaps speak further at length. It  
8 facilitates more dialogue and so forth.

9 And it gives me a sense that as this whole  
10 process moves forward, and to your point Commissioner  
11 McAllister, about this being a living document and,  
12 really, kind of a beginning of a process, I'm looking  
13 forward to more discussions at the agency level about,  
14 you know, what types of ongoing stakeholder forums do we  
15 put in place that facilitate these kinds of ongoing  
16 dialogues?

17 Because we've heard a lot of valuable  
18 perspectives today, we've heard from the real estate  
19 industry, from the building industry. We've heard from  
20 the HVAC industry, from contractors, from local  
21 governments and they're bringing really valuable  
22 insights to the table.

23 And so that's, I think, one of the key takeaways  
24 for me today is just, again, the importance of  
25 continuing to have these open forums and to, you know,



1 treat this as a living process that continues to adapt  
2 and responds to what we're learning out there in the  
3 marketplace.

4 So, thanks again for everybody's participation.  
5 And I'm looking forward to going down to L.A. and  
6 hearing what we learn down in L.A.

7 MS. COLLOPY: That's great. Thanks, Simon.

8 MR. PENNINGTON: So I would just add that I  
9 think another reason why this has been surprisingly  
10 useful today is because of the leadership that's been  
11 happening in this part of the State that goes unnoticed  
12 a lot. I think Joseph and Mike Hodgson's involvement  
13 with that is really impressive and you stimulated a lot  
14 of dialogue today by your participation, so thank you.

15 MS. COLLOPY: And thanks, Joseph, for hosting  
16 today, as well.

17 Just a few next steps, like after this Action  
18 Plan is published we -- next year, in the Energy  
19 Commission's IEPR report there will be a lot of dialogue  
20 on how we're performing on 758, what progress we've  
21 made, and then in subsequent years we'll be doing  
22 updates.

23 MR. ASHUCKIAN: I think everything's been said  
24 so I won't add everything else. So have a good drive  
25 home.

1 MS. COLLOPY: Thank you for those folks on the  
2 web today, thank you.

3 (Thereupon, the Workshop was adjourned at  
4 4:25 p.m.)

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